

A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



Terence R. McAuliffe  
Governor

Richard D. Brown  
Secretary of Finance

David A. Von Moll  
Comptroller

# Table of Contents

## Introductory Section

Comptroller's Letter of Transmittal to the Governor .....	6
Certificate of Achievement for Excellence in Financial Reporting .....	17
Organization of Executive Branch of Government .....	20
Organization of Government – Selected Government Officials – Executive Branch .....	21
Organization of the Department of Accounts.....	22

## Financial Section

<b>Independent Auditor's Report</b> .....	24
<b>Management's Discussion and Analysis</b> .....	27

### Basic Financial Statements

#### Government-wide Financial Statements

Statement of Net Position .....	40
Statement of Activities .....	42

#### Fund Financial Statements

Balance Sheet – Governmental Funds .....	46
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position .....	48
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	50
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities .....	52
Statement of Fund Net Position – Proprietary Funds.....	54
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	56
Statement of Cash Flows – Proprietary Funds.....	58
Statement of Fiduciary Net Position – Fiduciary Funds .....	64
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	65
Statement of Net Position – Component Units.....	68
Statement of Activities – Component Units .....	70

#### Index to the Notes to the Financial Statements.....

Notes to the Financial Statements .....	74
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### Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds .....	178
Funding Progress for Defined Benefit Pension Plans .....	182
Schedule of Employer Contributions – Defined Benefit Pension Plans.....	184
Funding Progress for Other Postemployment Benefit Plans .....	185
Schedule of Employer Contributions – Other Postemployment Benefit Plans .....	187
Change in Discount Rate .....	188
Schedule of Changes in Employers' Net Pension Liability .....	189
Claims Development Information .....	190

### Combining and Individual Fund Statements and Schedules

#### Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds.....	198
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	202
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue Funds .....	206

#### Nonmajor Enterprise Funds

Combining Statement of Fund Net Position – Nonmajor Enterprise Funds .....	210
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds.....	214
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	218

#### Internal Service Funds

Combining Statement of Fund Net Position – Internal Service Funds .....	226
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds.....	228
Combining Statement of Cash Flows – Internal Service Funds .....	230

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**Fiduciary Funds**

Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds .....	236
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds .....	238
Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds .....	240
Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds .....	244
Combining Statement of Fiduciary Net Position – Investment Trust Fund .....	248
Combining Statement of Changes in Fiduciary Net Position – Investment Trust Fund .....	249
Combining Statement of Fiduciary Net Position – Agency Funds .....	250
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	254

**Nonmajor Component Units**

Combining Statement of Net Position – Nonmajor Component Units .....	260
Combining Statement of Activities – Nonmajor Component Units .....	268

**Debt Schedules**

Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth .....	272
Tax-Supported Debt and Other Long-term Obligations .....	273
Debt and Other Long-term Obligations Not Supported by Taxes .....	274
Authorized and Unissued Tax-Supported Debt .....	275
Tax-Supported Debt – Annual Debt Service Requirements .....	276
Tax-Supported Debt – Detail of Long-term Indebtedness .....	278

**Statistical Section**

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function .....	292
Net Position by Component – Accrual Basis of Accounting .....	294
Changes in Net Position – Accrual Basis of Accounting .....	296
Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting .....	300
Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting .....	302
Comparison of General Fund Balance .....	304
Personal Income Tax Rates .....	306
Effective Tax Rates .....	306
Personal Income Tax Filers and Liability by Income Level .....	307
Personal Income by Industry .....	308
Taxable Sales by Business Class .....	310
Sales Tax Revenue by Business Class .....	312
Ratios of Outstanding Debt by Type .....	314
Ratios of General Obligation Bonded Debt Outstanding .....	315
Computation of Legal Debt Limit and Margin .....	316
Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt .....	318
Schedule of Demographic and Economic Statistics .....	320
Principal Employers .....	320
State Employees by Function .....	322
Operating Indicators by Function .....	324
Capital Asset Statistics by Function .....	328
Employees of the Department of Accounts .....	330

# Illustrations

<b>Figure 1</b>	Annual Percentage Change in Nonfarm Payroll Employment, Fiscal Years 2009 – 2014 .....	8
<b>Figure 2</b>	Nonfarm Payroll Employment, Fiscal Years 2009 – 2014.....	9
<b>Figure 3</b>	Nonfarm Payroll Employment in Virginia’s MSAs, Fiscal Years 2009 – 2014 .....	10
<b>Figure 4</b>	Percentage Change in Personal Income, Fiscal Years 2009 – 2014.....	11
<b>Figure 5</b>	Civilian Unemployment Rate, Fiscal Years 2009 – 2014 .....	11
<b>Figure 6</b>	Civilian Unemployment Rate for Virginia’s MSAs, Fiscal Years 2009 – 2014.....	12
<b>Figure 7a</b>	Unemployment Rate by Locality, Fiscal Year 2014 .....	12
<b>Figure 7b</b>	Unemployment Rate by Locality, Fiscal Year 2013 .....	13
<b>Figure 8</b>	Taxable Sales in Virginia, Fiscal Years 2009 – 2014.....	13
<b>Figure 9</b>	New Privately Owned Housing Units Authorized, Annual Percentage Change, Fiscal Years 2009 – 2014 .....	14
<b>Figure 10</b>	Percentage Change in Housing Prices, Fiscal Years 2009 – 2014.....	14
<b>Figure 11</b>	Net Position as of June 30, 2014 and 2013 .....	30
<b>Figure 12</b>	Changes in Net Position for the Fiscal Years Ended June 30, 2014 and 2013.....	31
<b>Figure 13</b>	Revenues by Source – Governmental Activities, Fiscal Year 2014 .....	32
<b>Figure 14</b>	Expenses by Type – Governmental Activities, Fiscal Year 2014.....	32
<b>Figure 15</b>	Business-type Activities – Program Revenues and Expenses for the Fiscal Year Ended June 30, 2014.....	33
<b>Figure 16</b>	Capital Assets as of June 30, 2014 (Net of Depreciation).....	35
<b>Figure 17</b>	Outstanding Debt as of June 30, 2014 – General Obligation Bonds.....	36

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# INTRODUCTORY SECTION

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Comptroller's Letter of Transmittal to the Governor  
Certificate of Achievement for Excellence in Financial Reporting  
Organization of Executive Branch of Government  
Organization of Government – Selected Government Officials – Executive Branch  
Organization of the Department of Accounts



# COMMONWEALTH of VIRGINIA

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COMPTROLLER

*Office of the Comptroller*

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December 15, 2014

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

Dear Governor McAuliffe:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014, 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 2014 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, 2014. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

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

## **PROFILE OF THE GOVERNMENT**

### **Reporting Entity**

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

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

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

### **Budgetary Control**

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

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

# ECONOMIC REVIEW

## Local Economy

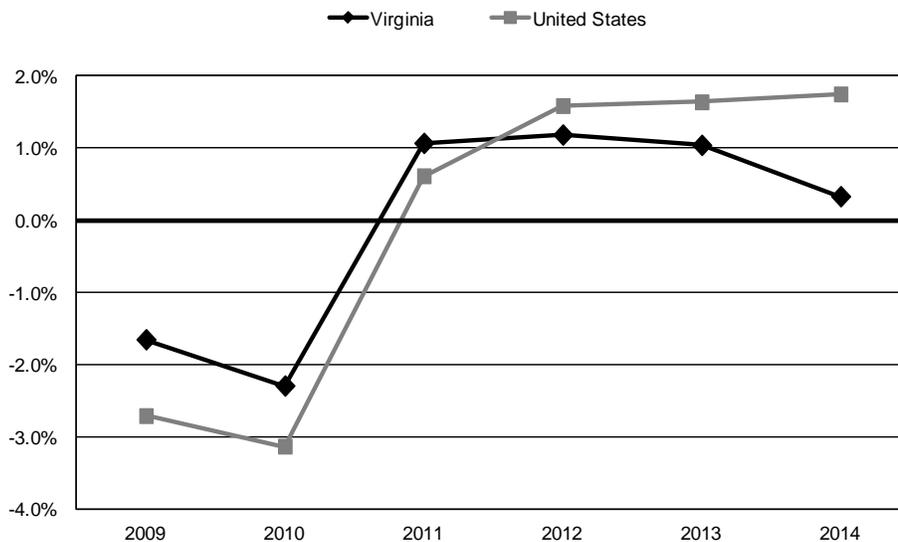
### Introduction

This overview of the economy of the Commonwealth of Virginia was prepared by the Center for Urban and Regional Analysis (CURA) at Virginia Commonwealth University. In fiscal year 2014, Virginia's economy continued its recovery from the recession of 2008-10. Yet the pace of recovery, which began to slow in fiscal year 2013, slowed further still in fiscal year 2014. Indicators such as jobs and new housing units, in particular, show that the current expansion, which looked very promising in fiscal years 2011 and 2012, has tapered off and this is cause for concern.

### Employment

While the recession experienced between 2008 and 2010 – and the loss of almost 150,000 jobs – is now in the past, the steady increase of around 1.0 percent in employment observed between 2011 and 2013 seems to have slowed down in this past fiscal year. In fiscal year 2014, in fact, Virginia's employment grew only by 0.3 percent, increasing the gap with the national level, where nonfarm payroll employment has increased by 1.7 percent (see **Figure 1**). While this is the fourth consecutive year of job growth in Virginia, it must be noted how in fiscal year 2014 only 12,400 jobs have been added to the economy (compared to nearly 40,000 during fiscal year 2013). This slowdown is troubling, especially when compared with the nation's more robust economic performance over this period. Moreover, uncertainty in the global economy, caused principally by the weakness of the Euro zone and by crises in the Middle East and in West Africa, may portend more trouble ahead for Virginia's economy.

**Figure 1**  
**Annual Percentage Change in Nonfarm Payroll Employment**  
Fiscal Years 2009 - 2014



Source: U. S. Bureau of Labor Statistics

Virginia's lackluster economic performance in fiscal year 2014 is due mostly to employment declines in the Professional and Business Services and the Federal Government sectors, which lost a combined total of roughly 18,000 jobs. **Figure 2** shows changes in Virginia's nonfarm employment by industry for fiscal years 2009 through 2014, along with the employment change between fiscal years 2013 and 2014 for Virginia and the U.S. While it is important that Virginia continued on the trend initiated in fiscal year 2011, and reaffirmed in fiscal years 2012 and 2013, it is undeniable that some economic sectors had a poor performance during fiscal year 2014. Six NAICS industries out of the 15 considered, have lost jobs. This creates uncertainty for the future, especially in traditionally important sectors like Professional and Business Services and Manufacturing. On the other end of the spectrum, some good news came from Wholesale Trade, which continued the employment gains posted in fiscal year 2013, and Educational and Health Services, which added nearly 14,000 jobs on top of the 13,000 added in the previous year.

**Figure 2**  
**Nonfarm Payroll Employment**  
Fiscal Years 2009 - 2014

NAICS Industry*	Virginia Employment (000)						Change, Fiscal Year 2014 over Fiscal Year 2013		
	2009	2010	2011	2012	2013	2014	Virginia		U. S.
							Number (000)	Percent	Percent
Mining and Logging	10.9	10.1	10.7	11.1	10.4	9.9	(0.5)	(4.8)	3.9
Construction	206.2	184.1	181.5	177.3	176.9	178.3	1.4	0.8	3.2
Manufacturing	252.5	233.1	230.0	231.5	231.3	229.9	(1.4)	(0.6)	0.6
Wholesale Trade	116.6	110.0	111.2	111.2	111.5	111.6	0.1	0.1	1.8
Retail Trade	409.3	396.9	400.1	404.6	406.8	412.5	5.7	1.4	2.1
Transportation and Utilities	116.2	112.0	114.2	115.4	116.2	116.0	(0.2)	(0.2)	1.7
Information Services	84.5	77.9	75.0	72.5	71.4	70.6	(0.8)	(1.1)	(0.5)
Financial Activities	184.5	178.1	180.6	185.3	190.8	193.5	2.7	1.4	1.0
Professional and Business Services	649.9	641.3	660.0	673.3	682.3	669.0	(13.3)	(1.9)	3.7
Educational and Health Services	456.9	462.6	472.7	478.9	491.6	505.5	13.9	2.8	1.8
Leisure and Hospitality	345.1	339.6	345.5	354.1	362.8	366.6	3.8	1.0	3.2
Other Services	187.8	184.9	185.8	190.0	193.4	195.6	2.2	1.1	0.6
Federal Government	163.2	171.0	174.6	173.9	175.2	170.9	(4.3)	(2.5)	(2.6)
State Government	153.5	153.1	154.8	157.9	159.4	160.7	1.3	0.8	0.1
Local Government	382.3	379.4	376.3	379.5	375.2	377.0	1.8	0.5	0.3
<b>Total</b>	<b>3,719.4</b>	<b>3,634.1</b>	<b>3,673.0</b>	<b>3,716.5</b>	<b>3,755.2</b>	<b>3,767.6</b>	<b>12.4</b>	<b>0.3</b>	<b>1.7</b>

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

\* North American Industry Classification System

**Figure 3** shows the annual percentage change in nonfarm employment for 10 of the 11 Metropolitan Statistical Areas (MSAs) in Virginia. The 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. Except for Danville and Lynchburg, all other MSAs added jobs in fiscal year 2014, following on the recovery path that started in fiscal year 2011. Danville's employment losses are disappointing, since the region had grown by 1.1 percent in fiscal year 2011 and by 2.0 percent in fiscal year 2012, but by only 0.3 percent in fiscal year 2013. Following the long-term trend, the Richmond MSA, Northern Virginia MSA and Virginia Beach-Norfolk-Newport News MSA maintain their prominent roles in the economy, accounting for more than 82.0 percent of Virginia's nonfarm payroll employment. All three MSAs experienced growth in fiscal year 2014, adding a total of more than 16,000 jobs (although this increase is much less than the 39,000 jobs added in fiscal year 2013).

**Figure 3**  
**Nonfarm Payroll Employment in Virginia's MSAs**  
Fiscal Years 2009 - 2014

Area	Percent Change					
	2009	2010	2011	2012	2013	2014
<b>Virginia</b>	(1.4)	(2.3)	1.1	1.2	1.0	0.3
<b>Metropolitan areas<sup>(a)</sup></b>						
Blacksburg-Christiansburg-Radford	(0.6)	(3.7)	0.9	2.5	1.8	1.8
Charlottesville	(1.6)	(1.9)	0.7	2.0	1.4	0.5
Danville	(1.4)	(4.0)	1.1	2.0	0.3	(1.8)
Harrisonburg	(1.7)	(1.7)	1.9	0.8	0.9	0.7
Lynchburg	(1.5)	(4.1)	(0.6)	(0.8)	0.3	(0.5)
Northern Virginia	(0.8)	(0.7)	2.0	1.9	1.4	0.4
Richmond	(1.9)	(3.1)	0.8	1.9	1.8	1.5
Roanoke	(2.2)	(2.8)	0.3	1.0	0.9	0.1
Virginia Beach-Norfolk-New port New s <sup>(b)</sup>	(2.3)	(2.5)	0.1	0.6	1.1	0.2
Winchester <sup>(c)</sup>	(3.5)	(2.6)	3.1	2.7	1.9	2.2

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

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

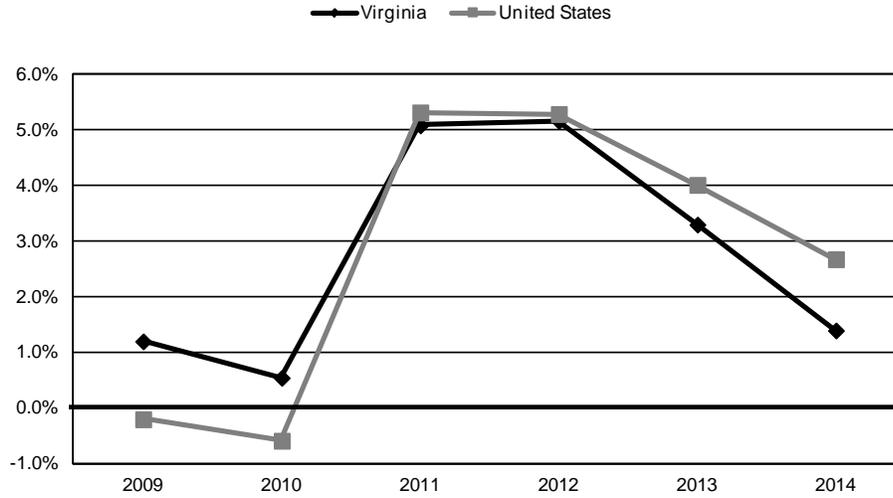
(b) Includes portion in North Carolina

(c) Includes portion in West Virginia

## Personal Income

Personal income is an important indicator of the health of Virginia's economy because most state government revenues – income taxes and retail sales taxes in particular – are directly or indirectly related to personal income. As shown in **Figure 4**, the remarkable post-recession growth of fiscal years 2011, 2012 and, to a lesser extent, 2013, has moderated significantly in fiscal year 2014. Although the growth rate has slowed down both at the state and national level, the gap between Virginia and the rest of the country is widening – while average personal income in the U.S. has grown by 2.7 percent, Virginia residents have experienced an increase of just 1.4 percent.

**Figure 4**  
**Percentage Change in Personal Income**  
 Fiscal Years 2009 - 2014

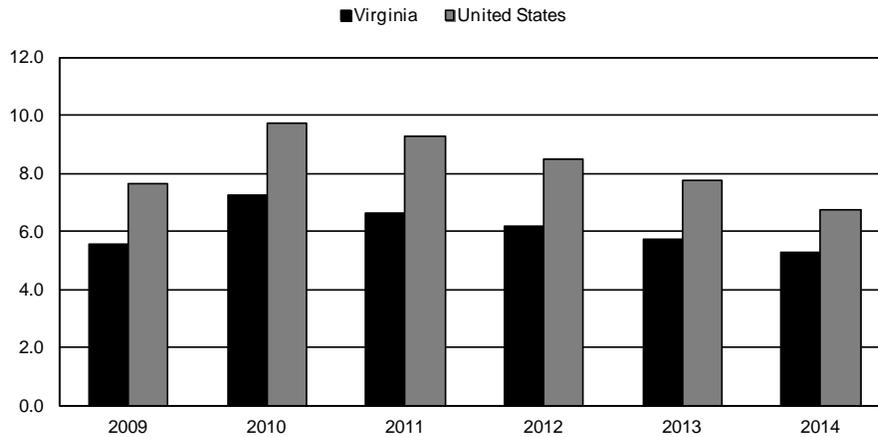


Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

**Unemployment**

The unemployment rate, both at the state and national levels, continues its post-recession decline of 0.5 percentage points each year for fiscal years 2011 to 2013. In fiscal year 2014, the unemployment rate in Virginia declined to 5.2 percent, significantly lower than the 6.8 percent observed nationally. Although these values are still far from the low unemployment rates of the pre-recession period (in fiscal year 2007, the rates were 3.0 percent in Virginia and 4.5 percent in the U.S. overall), this decline seems consistent with a generally recovering economy. (Note, however, that we did not analyze labor force participation rates, which might complicate this generally positive picture.)

**Figure 5**  
**Civilian Unemployment Rate**  
 Fiscal Years 2009 - 2014



Source: U.S. Bureau of Labor Statistics

**Figure 6** shows unemployment rates for each of Virginia's MSAs over the last six fiscal years. Each MSA has posted steady decreases in unemployment since 2011, with Northern Virginia (4.3 percent) and Charlottesville (4.4 percent) currently performing the best.

**Figure 6**  
**Civilian Unemployment Rate for Virginia's MSAs**  
 Fiscal years 2009 – 2014

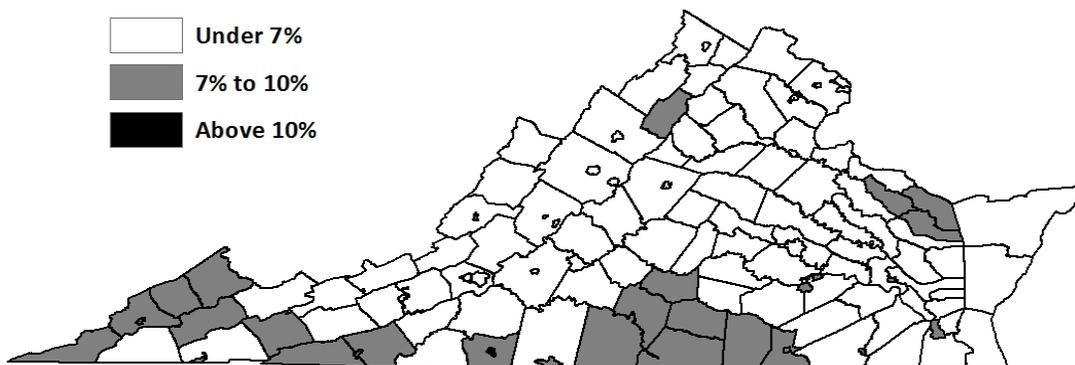
Area	Unemployment Rate (Percent)					
	2009	2010	2011	2012	2013	2014
Virginia	5.6	7.3	6.7	6.2	5.8	5.2
<b>Metropolitan areas</b>						
Blacksburg-Christiansburg-Radford	7.0	8.8	7.6	6.7	6.5	5.6
Charlottesville	4.7	6.2	5.6	5.3	4.8	4.4
Danville	10.4	12.3	10.7	9.1	8.3	7.4
Harrisonburg	5.2	6.9	6.6	6.2	5.7	5.1
Kingsport-Bristol*	7.2	9.5	8.8	7.9	7.4	6.7
Lynchburg	6.1	8.1	7.6	7.1	6.6	5.9
Northern Virginia*	4.2	5.5	5.0	4.7	4.5	4.3
Richmond	6.1	8.2	7.5	6.8	6.2	5.6
Roanoke	5.7	7.9	7.1	6.4	6.0	5.5
Virginia Beach-Norfolk-Newport News*	5.7	7.5	7.2	6.9	6.3	5.8
Winchester*	6.4	7.8	6.8	6.2	5.4	4.8

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

\* Includes only the portion of the MSA located in Virginia

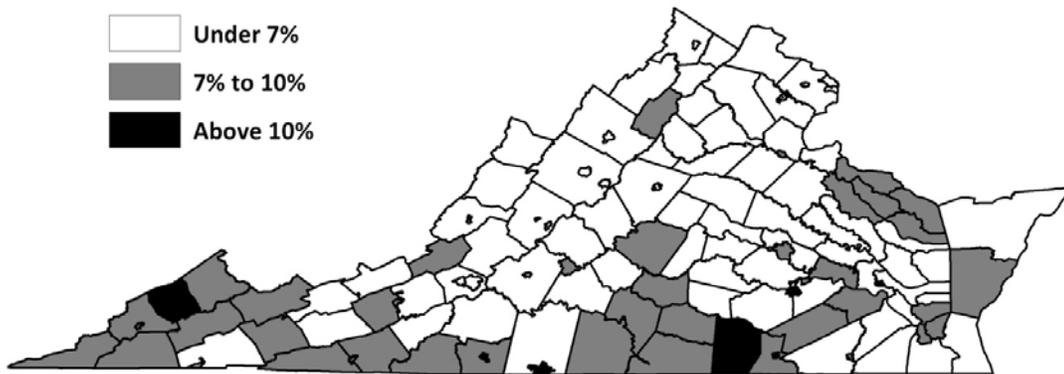
In **Figure 7a**, each of Virginia's localities (95 counties and 39 independent cities) is color coded according to its unemployment rate. Three categories are represented on the map: unemployment rates that are under 7.0 percent, 7.0 to 10.0 percent, and above 10.0 percent. For fiscal year 2014 almost all jurisdictions with an employment rate above the state average (5.2 percent) are located in the South Central and Southwestern parts of the Commonwealth. However, a comparison of fiscal year 2014 with fiscal year 2013 (shown in **Figure 7b**), indicates that several localities improved their performance over the course of the year. (Note, again, that we did not analyze changes in labor force participation rates.)

**Figure 7a**  
**Unemployment Rate by Locality**  
 Fiscal Year 2014



Source: Virginia Employment Commission

**Figure 7b**  
**Unemployment Rate by Locality**  
 Fiscal Year 2013

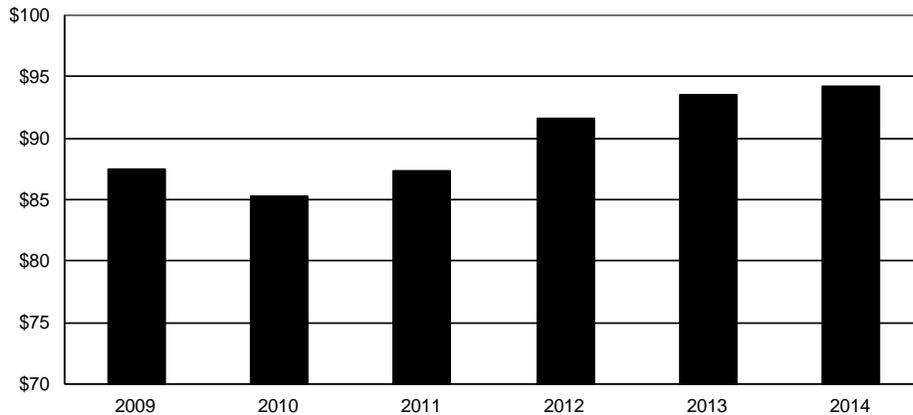


Source: Virginia Employment Commission

**Taxable Sales**

Since current data on retail sales are not produced for states, this report follows the approach used in previous reports and presents information on taxable sales. These data are used as a proxy for retail sales, even though they do not include motor vehicle and motor fuel sales. (Unlike the Census Bureau's data on retail sales, however, taxable sales data includes sales at restaurants and lodging places.) **Figure 8** shows that in fiscal year 2014, taxable sales in Virginia continued to increase, albeit at a slower pace than what was observed for the period 2011 through 2013. During fiscal year 2014, Virginia had taxable sales of more than \$94.0 billion.

**Figure 8**  
**Taxable Sales in Virginia**  
 Fiscal Years 2009 - 2014  
 (Billions of Dollars)

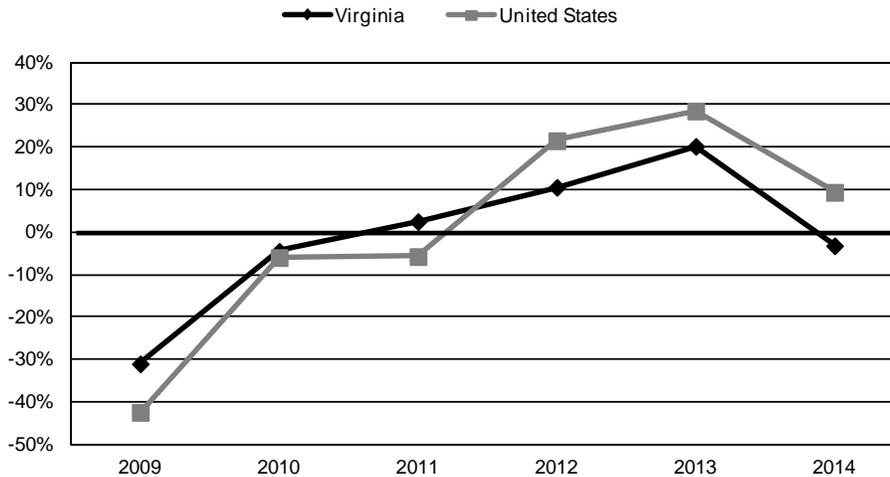


Source: Weldon Cooper Center for Public Service, University of Virginia. Originally from the Virginia Department of Taxation.

## Housing Market

After three fiscal years of annual increases in new housing construction – from 2.5 percent in 2011 to 20.3 percent in 2013 – Virginia suffered a decline of 3.1 percent in new housing units authorized for construction in fiscal year 2014 (see **Figure 9**). At the national level, by contrast, building permits increased by almost 10.0 percent during the same period; this is also a decrease since fiscal year 2013, but less severe than that experienced in Virginia.

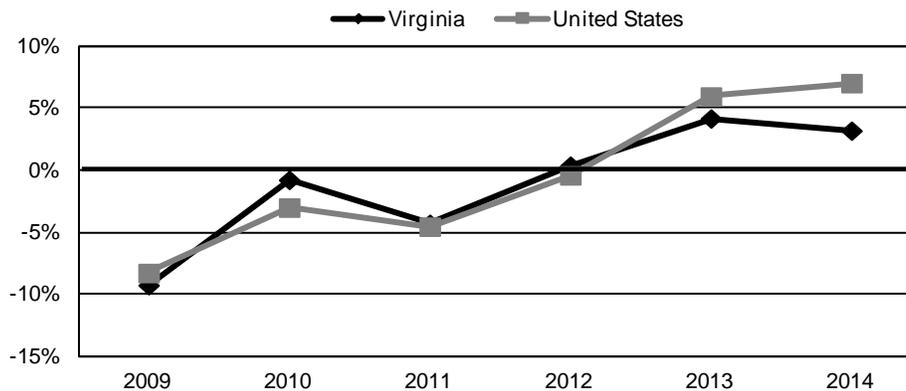
**Figure 9**  
**New Privately Owned Housing Units Authorized**  
**Annual Percentage Change**  
Fiscal Years 2009 - 2014



Source: U.S. Census Bureau

Another indicator for understanding Virginia's housing market is the percentage change in housing prices published by the Federal Housing Finance Agency. Consistent with the national data, **Figure 10** shows a positive change for this indicator in Virginia for fiscal year 2014, with an increase of 3.2 percent (almost one percentage point less than the previous fiscal year's increase). This result is consistent with a recovery trend that began in fiscal year 2011.

**Figure 10**  
**Percentage Change in Housing Prices**  
Fiscal Years 2009 – 2014



Source: Federal Housing Finance Agency

## **Conclusion**

Fiscal year 2014, overall, can be considered as a year of ambivalent results. While there is an overall consolidation of the post-recession recovery that started in fiscal year 2010 and gathered some momentum in fiscal year 2011, some indicators show an alarming slowdown. This appears to be largely the result of spending reductions at the federal government level, but it may also be the result of some lingering effects of the recession, as well as global economic uncertainty marked by the weakness of the Euro zone and crises in the Middle East and in parts of Africa. Virginia's recovery from the recession has slowed, and this is reflected especially in the employment and personal income indicators. Thus, the optimism expressed in the fiscal year 2013 overview has given way to moderate concern.

## **MAJOR INITIATIVES**

The CAFR has received unqualified audit opinions from fiscal year 1986 through fiscal year 2013. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unqualified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

## **Long-term Financial Planning**

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

## **Enterprise Application Project**

The Cardinal Project represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance and the Virginia Information Technologies Agency to replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (VDOT) financial system with a modern, enterprise-wide financial system (base financial system). The base financial system will provide a solid foundation for the Commonwealth to expand system functionality and facilitate better integration of key administrative systems across the state. This foundation will enable the Commonwealth to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. The Cardinal project will implement the base financial system in three phases. The first phase implemented VDOT's planned functionality on December 5, 2011, and the second phase implemented the Commonwealth's base financial system at the Department of Accounts (DOA) on October 1, 2012. The current phase of the project includes rolling Cardinal out to all other state agencies, at which time CARS will be retired. The remaining agencies have been divided into two waves, and the first wave was successfully implemented on October 1, 2014. The second wave is currently planned for February 1, 2016, with CARS being retired effective July 1, 2016. I, as State Comptroller, chair the Cardinal Steering Committee, and DOA has assigned full-time resources to this project.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2013. 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 28 consecutive years (fiscal years 1986-2013). 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  
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**Commonwealth of Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

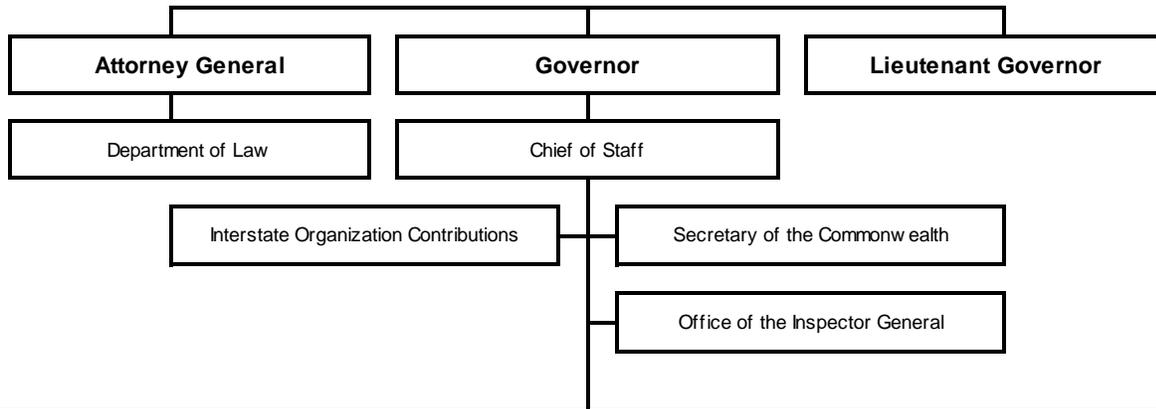
Executive Director/CEO



# Organization Charts

# Organization of Executive Branch of Government

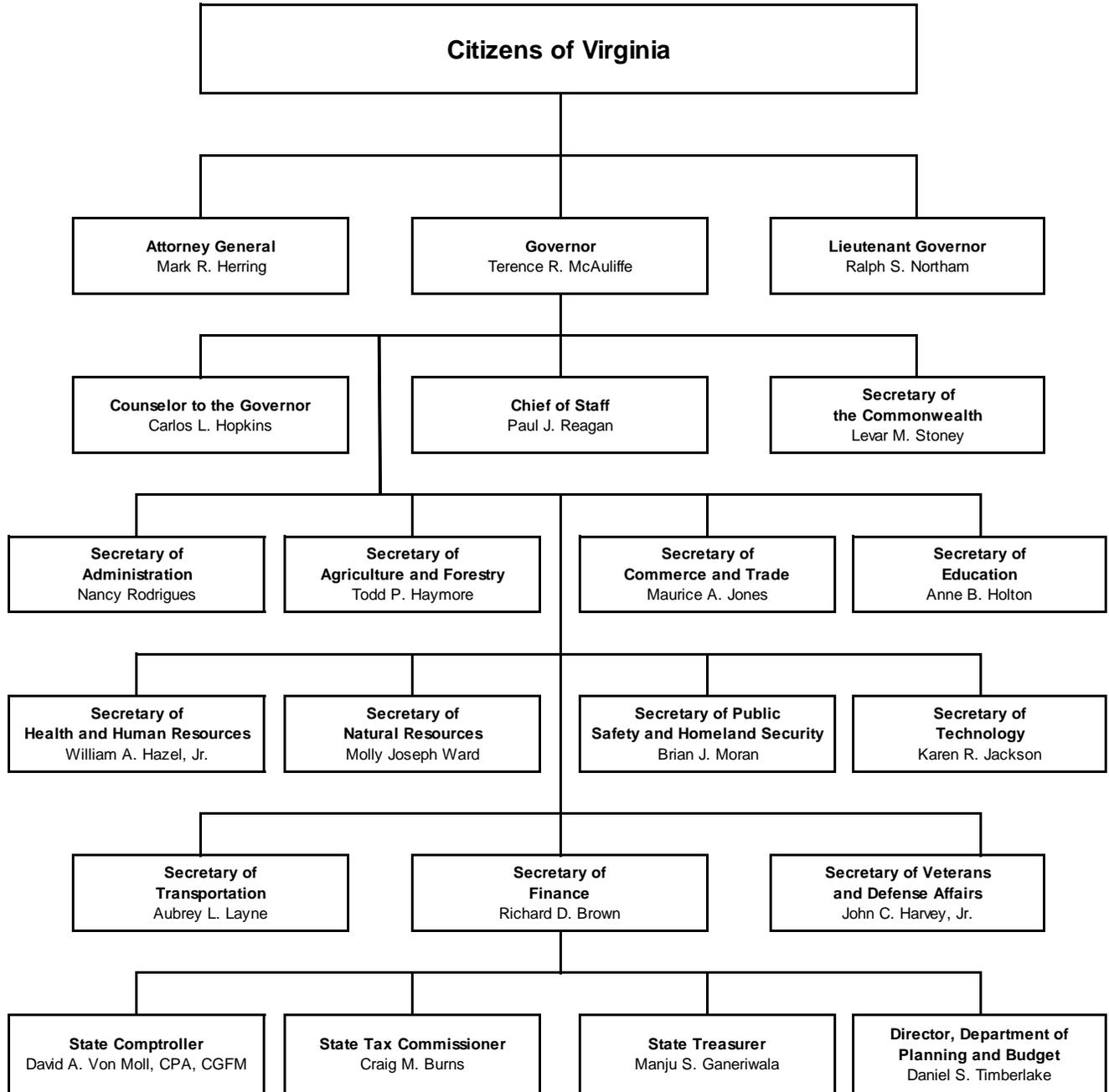
As of June 30, 2014



<p><b>Secretary of Administration</b>            Compensation Board            Department of General Services            Department of Human Resource Management            State Board of Elections</p>	<p><b>Secretary of Education</b>            Christopher Newport University            Department of Education            Frontier Culture Museum of Virginia            George Mason University            Gunston Hall            Higher Education Tuition Moderation Incentive Fund            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</p>	<p><b>Secretary of Natural Resources</b>            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</p>
<p><b>Secretary of Agriculture and Forestry</b>            Virginia Agricultural Council            Department of Agriculture and Consumer Services            Department of Forestry            Virginia Racing Commission</p>		<p><b>Secretary of Public Safety and Homeland Security</b>            Commonwealth's Attorneys' Services Council            Department of Alcoholic Beverage Control            Department of Corrections            Department of Criminal Justice Services            Department of Emergency Management            Department of Fire Programs            Department of Forensic Science            Department of Juvenile Justice            Department of Military Affairs            Department of State Police            Virginia Correctional Enterprises            Virginia Parole Board</p>
<p><b>Secretary of Commerce and Trade</b>            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            The Tobacco Indemnification and Community Revitalization Commission            Virginia Economic Development Partnership            Virginia Employment Commission            Virginia Tourism Authority</p>		<p><b>Secretary of Technology</b>            Innovation and Entrepreneurship Investment Authority            Virginia Information Technologies Agency</p>
<p><b>Secretary of Health and Human Resources</b>            Comprehensive Services for At-Risk Youth and Families            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</p>	<p><b>Secretary of Finance</b>            Department of Accounts            Department of Planning and Budget            Department of Taxation            Department of the Treasury            Treasury Board</p>	<p><b>Secretary of Transportation</b>            Department of Aviation            Department of Motor Vehicles            Department of Rail and Public Transportation            Department of Transportation            Motor Vehicle Dealer Board            Virginia Port Authority</p>
		<p><b>Secretary of Veterans and Defense Affairs</b>            Department of Veterans Services</p>

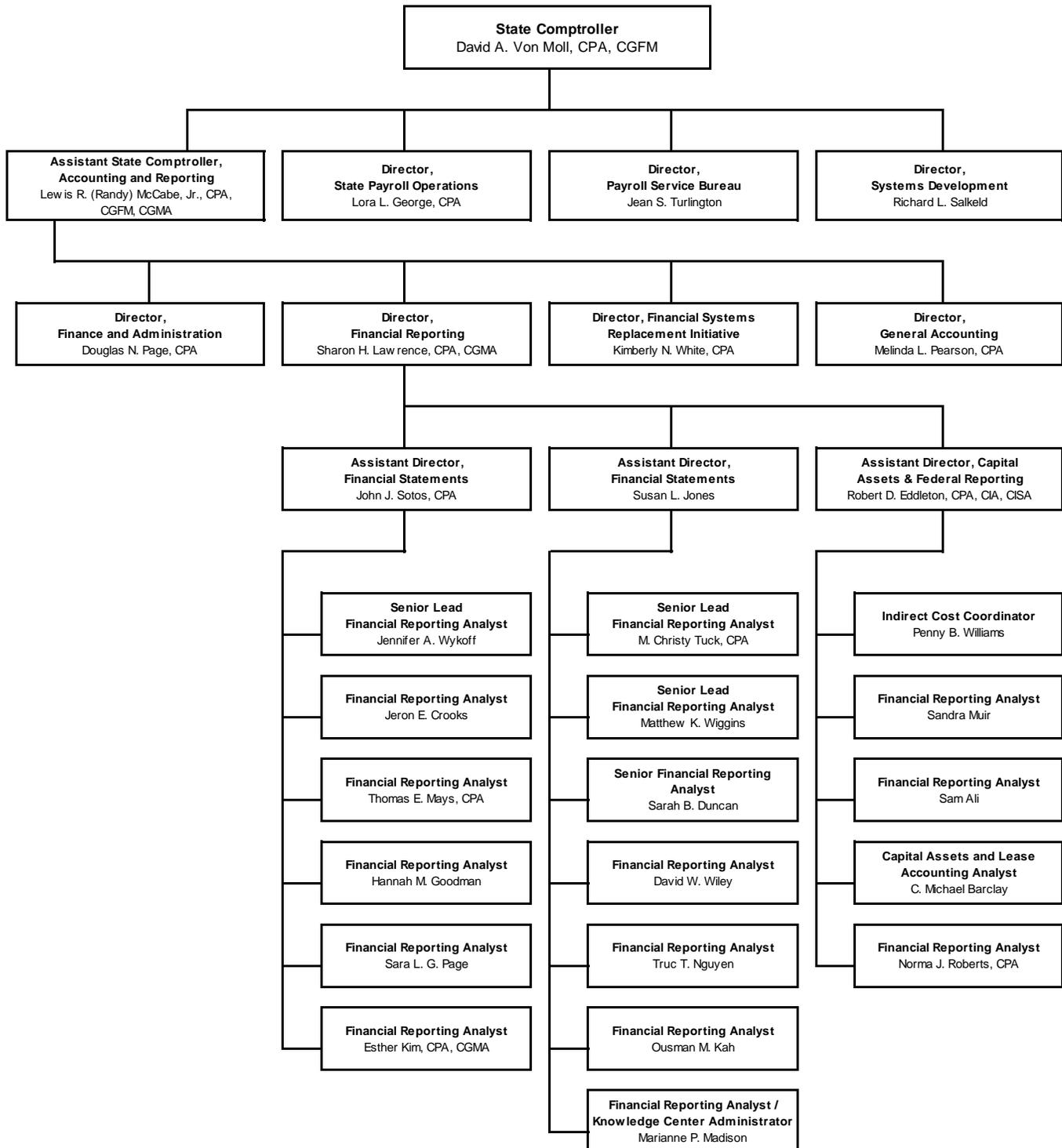
# Organization of Government Selected Government Officials - Executive Branch

As of December 15, 2014



# Organization of the Department of Accounts

As of December 15, 2014



# FINANCIAL SECTION

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



# Commonwealth of Virginia

## Auditor of Public Accounts

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

December 15, 2014

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
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, 2014, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain blended and aggregate discretely presented components units of the Commonwealth, which are discussed in Note 1.B. The blended component unit represents 7.31 percent of total assets and deferred outflows and 1.81 percent of net position of the business-type activities. In addition, the blended component unit represents 0.37 percent of total assets and deferred outflows and 0.03 percent of net position of the aggregate remaining fund information. The aggregate discretely presented component units collectively represent 29.63 percent of total assets and deferred outflows, 22.46 percent of net position, and 9.84 percent of revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for certain component units discussed in Note 1.B. 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.

#### *Opinion*

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Emphasis of Matter*

##### Change in Accounting Principle

The Commonwealth of Virginia's basic financial statements for the year ended June 30, 2014, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Commonwealth of Virginia implemented the requirements of GASB Statements No. 65 and 70 in accordance with their required effective date. See Notes 2, 13 and 26 in the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

##### Correction of 2013 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2013 governmental activities, component units, Commonwealth Transportation major special revenue fund, and Agency Fund financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

#### *Other Matters*

##### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the funding progress for defined benefit pension plans, schedule of employer contributions for defined benefit pension plans, funding progress for other post-employment benefit plans, schedule of employer contributions for other post-employment benefit plans, change in discount rate, schedule of changes in employers' net pension liability, and claims development information on pages 27 through 37 and 177 through 194 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### Supplementary and Other Information

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, our report dated December 15, 2014, 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*

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, 2014. 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, 2014, by \$22.1 billion. Net position of governmental activities increased by \$753.0 million and net position of business-type activities increased by \$502.1 million. Component units reported an increase in net position of \$1.9 billion from June 30, 2013.

#### Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$3.9 billion, a decrease of \$275.7 million in comparison with the prior year. Of this total fund balance, \$248.9 million represents nonspendable fund balance, \$1.9 billion represents restricted fund balance, \$2.5 billion represents committed fund balance, and \$16.8 million represents assigned fund balance. These amounts are offset by a negative \$781.5 million unassigned fund balance. The Enterprise Funds reported net position at June 30, 2014, of \$1.2 billion, an increase of \$499.7 million during the year which is primarily attributable to the Unemployment Compensation Fund and the Virginia College Savings Plan. See page 33 for additional information.

The General Fund recognized higher fund revenues and expenditures, as well as lower assets and liabilities when compared to fiscal year 2013. Deferred outflows and deferred inflows of resources were reported for the first time in fiscal year 2014. See page 34 for additional information.

#### Long-term Debt

The Commonwealth's total debt rose during the fiscal year to \$37.6 billion, an increase of \$383.7 million, or 1.0 percent. During the fiscal year, the Commonwealth issued new debt in the amount of \$646.2 million for the primary government and \$3.4 billion for the component units. These debt issuances increased the debt balances to \$12.3 billion for the primary government and \$25.3 billion for component units.

### Overview of the Financial Statements

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

#### Government-wide Statements

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

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

The Statement of Activities (pages 42 through 44) presents information showing how the Commonwealth's net position changed during fiscal year 2014. 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 27 non-higher education component units and 22 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

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

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

## Fund Financial Statements

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

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

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

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

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

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

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

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

The Commonwealth's fiduciary funds are the:

- Private Purpose Trusts, which reports the activities for 7 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
- 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 external investment pool; and,
- Agency, which accounts for assets held on behalf of others in 20 separate funds.

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

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

## Notes to the Financial Statements

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

## Required Supplementary Information

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

## Other Information

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 195 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 \$22.1 billion during the fiscal year. The net position of the governmental activities increased \$753.0 million, or 3.7 percent, primarily due to increases in capital assets and decreases 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 of resources are discussed in Note 13. Business-type activities had an increase of \$502.1 million, or 76.1 percent, primarily due to an increase for the Unemployment Compensation Fund and Virginia College Savings Plan as discussed on page 33. The government-wide beginning balance was restated for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and the correction of prior year errors to arrive at a restated beginning balance of \$20.9 billion.

**Figure 11**  
**Net Position as of June 30, 2014 and 2013**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2013		2013		2013	
	2014	as restated	2014	as restated	2014	as restated
Current and other assets	\$ 8,966,466	\$ 9,502,616	\$ 4,042,573	\$ 3,796,505	\$ 13,009,039	\$ 13,299,121
Capital assets	27,898,540	26,846,700	168,539	95,305	28,067,079	26,942,005
Deferred outflow s of resources	53,940	-	-	-	53,940	-
Total assets and deferred outflow s of resources	36,918,946	36,349,316	4,211,112	3,891,810	41,130,058	40,241,126
Long-term liabilities outstanding	9,586,711	9,389,896	2,702,711	2,756,881	12,289,422	12,146,777
Other liabilities	4,807,694	5,168,201	346,579	475,222	5,154,273	5,643,423
Deferred inflow s of resources	1,562,385	1,582,014	-	-	1,562,385	1,582,014
Total liabilities and deferred inflow s of resources	15,956,790	16,140,111	3,049,290	3,232,103	19,006,080	19,372,214
Net position:						
Net investment in capital						
assets	22,316,758	20,294,314	12,312	29,773	22,329,070	20,324,087
Restricted	1,465,891	1,455,712	586,073	371,600	2,051,964	1,827,312
Unrestricted	(2,820,493)	(1,540,821)	563,437	258,334	(2,257,056)	(1,282,487)
Total net position	\$ 20,962,156	\$ 20,209,205	\$ 1,161,822	\$ 659,707	\$ 22,123,978	\$ 20,868,912

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 \$2.3 billion is unrestricted net position (**Figure 11**).

Approximately 54.2 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 2014, governmental program and general revenues exceeded governmental expenses by \$29.3 million. Program revenues exceeded expenses from business-type activities by \$1.2 billion. 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).

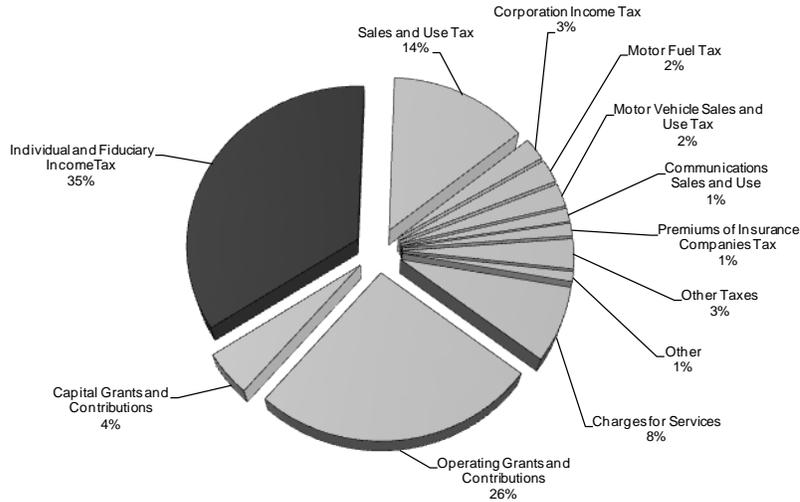
**Figure 12**  
**Changes in Net Position for the Fiscal Years Ended June 30, 2014 and 2013**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2013		2013		2013	
	2014	as restated	2014	as restated	2014	as restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,560,863	\$ 2,459,370	\$ 4,131,281	\$ 3,866,556	\$ 6,692,144	\$ 6,325,926
Operating Grants and Contributions	8,731,809	8,819,681	264	337	8,732,073	8,820,018
Capital Grants and Contributions	1,508,880	1,753,789	69,595	61,104	1,578,475	1,814,893
General Revenues:						
Taxes:						
Individual and Fiduciary Income	11,681,808	11,399,891	-	-	11,681,808	11,399,891
Sales and Use	4,597,105	3,941,074	-	-	4,597,105	3,941,074
Corporation Income	769,832	805,474	-	-	769,832	805,474
Motor Fuel	791,944	966,616	-	-	791,944	966,616
Motor Vehicle Sales and Use	780,817	581,693	-	-	780,817	581,693
Communications Sales and Use	420,371	423,639	-	-	420,371	423,639
Deeds, Contracts, Wills, and Suits	394,834	435,619	-	-	394,834	435,619
Premiums of Insurance Companies	459,933	406,506	-	-	459,933	406,506
Alcoholic Beverage Sales	132,044	126,801	-	-	132,044	126,801
Tobacco Products	182,110	182,430	-	-	182,110	182,430
Estate	149	-	-	-	149	-
Public Service Corporations	119,074	115,973	-	-	119,074	115,973
Beer and Beverage Excise	43,050	42,813	-	-	43,050	42,813
Wine and Spirits/ABC Liter	25,620	25,436	-	-	25,620	25,436
Bank Stock	22,581	20,321	-	-	22,581	20,321
Other Taxes	95,415	75,641	9,142	9,142	104,557	84,783
Unrestricted Grants and Contributions	48,730	74,134	-	-	48,730	74,134
Investment Earnings	44,571	6,349	1,735	1,183	46,306	7,532
Miscellaneous	233,716	306,172	358	448	234,074	306,620
<b>Total Revenues</b>	<b>33,645,256</b>	<b>32,969,422</b>	<b>4,212,375</b>	<b>3,938,770</b>	<b>37,857,631</b>	<b>36,908,192</b>
Expenses:						
General Government	3,362,086	3,097,364	-	-	3,362,086	3,097,364
Education	9,430,802	9,280,657	-	-	9,430,802	9,280,657
Transportation	3,602,208	3,253,600	-	-	3,602,208	3,253,600
Resources and Economic Development	940,376	946,709	-	-	940,376	946,709
Individual and Family Services	13,115,503	12,941,609	-	-	13,115,503	12,941,609
Administration of Justice	2,927,249	2,760,486	-	-	2,927,249	2,760,486
Interest and Charges on Long-term Debt	237,782	254,964	-	-	237,782	254,964
Virginia Lottery	-	-	1,265,839	1,194,247	1,265,839	1,194,247
Virginia College Savings Plan	-	-	104,354	155,889	104,354	155,889
Unemployment Compensation	-	-	535,715	584,433	535,715	584,433
Alcoholic Beverage Control	-	-	554,812	532,835	554,812	532,835
Risk Management	-	-	13,471	12,265	13,471	12,265
Local Choice Health Care	-	-	308,295	296,237	308,295	296,237
Route 460 Funding Corporation of Virginia	-	-	82,257	70,082	82,257	70,082
Virginia Industries for the Blind	-	-	37,521	31,058	37,521	31,058
Consolidated Laboratory	-	-	8,724	7,469	8,724	7,469
eVA Procurement System	-	-	19,827	19,693	19,827	19,693
Department of Environmental Quality Title V	-	-	11,786	10,724	11,786	10,724
Wireless E-911	-	-	37,315	42,449	37,315	42,449
Museum and Library Gift Shops	-	-	6,201	6,810	6,201	6,810
Behavioral Health Canteen and Work Activity	-	-	442	468	442	468
<b>Total Expenses</b>	<b>33,616,006</b>	<b>32,535,389</b>	<b>2,986,559</b>	<b>2,964,659</b>	<b>36,602,565</b>	<b>35,500,048</b>
Excess before transfers	29,250	434,033	1,225,816	974,111	1,255,066	1,408,144
Transfers	723,701	670,348	(723,701)	(670,348)	-	-
Increase in net position	752,951	1,104,381	502,115	303,763	1,255,066	1,408,144
Net position, July 1, as restated	20,209,205	19,104,824	659,707	355,944	20,868,912	19,460,768
<b>Net position, June 30</b>	<b>\$ 20,962,156</b>	<b>\$ 20,209,205</b>	<b>\$ 1,161,822</b>	<b>\$ 659,707</b>	<b>\$ 22,123,978</b>	<b>\$ 20,868,912</b>

**Governmental Activities Revenues**

**Figure 13** is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$675.8 million, or 2.0 percent. The net increase is mainly attributable to increases in the General Fund, which are discussed on page 34.

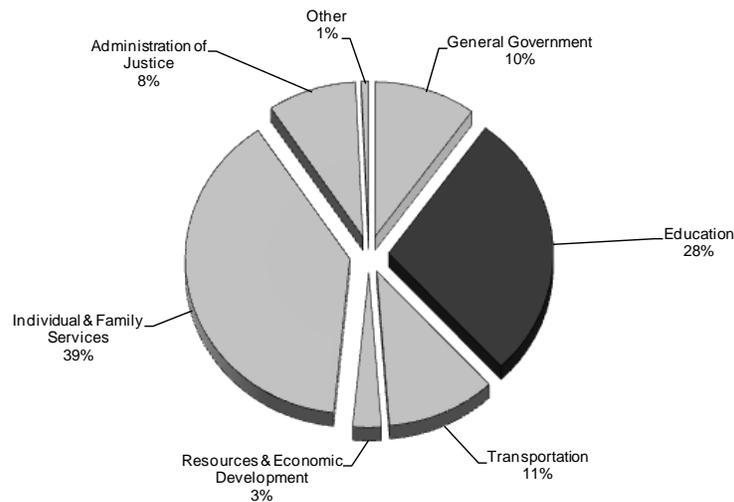
**Figure 13**  
**Revenues by Source – Governmental Activities**  
 Fiscal Year 2014



**Governmental Activities Expenses**

**Figure 14** is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$1.1 billion, or 3.3 percent. This change is primarily attributable to increases in all expense types with the exception of Resources and Economic Development and Interest and Charges on Long-term Debt. See pages 34 and 35 for additional information.

**Figure 14**  
**Expenses by Type – Governmental Activities**  
 Fiscal Year 2014



## Net Position of Business-type Activities

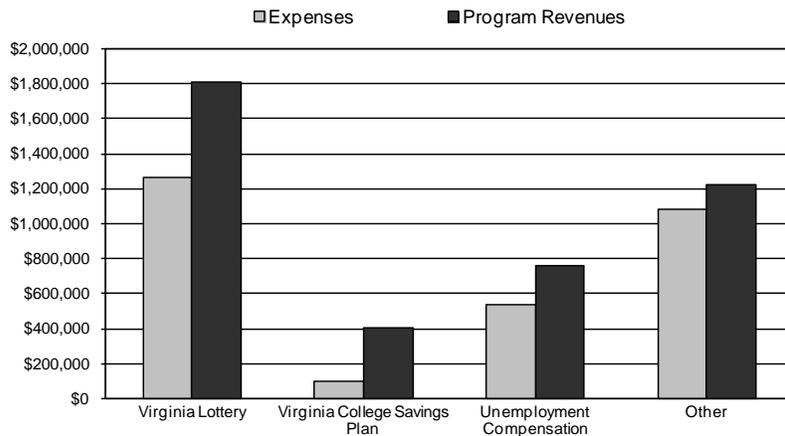
Net position of business-type activities increased by \$502.1 million during the fiscal year. As shown in **Figure 15**, highlights of the changes in net position for the major enterprise funds were as follows:

- Lottery sales were \$1.8 billion, an increase of \$121.6 million over the prior year. Net income was \$546.1 million, an increase of \$49.4 million (9.9 percent) from fiscal year 2013. Sales of scratch games increased by \$101.5 million (11.4 percent) and online sales increased by \$20.1 million (2.5 percent). This is offset by an increase of \$72.1 million (6.0 percent) in total expenses, primarily attributable to the cost of prizes and claims.
- Virginia College Savings Plan's net position increased by \$303.0 million (140.8 percent) during the fiscal year. This change is primarily attributable to an increase in investment income and a decrease in tuition benefits expense.
- Unemployment Compensation Fund net position increased by \$214.5 million during fiscal year 2014, primarily as a result of a decrease in benefit claims and an increase in the Employer Contribution schedule designed to recoup fund losses following recessionary periods. Operating expenses decreased by \$48.7 million. These factors combined give the Trust Fund the large increase.

The Trust Fund became insolvent in October 2009, which required obtaining Federal repayable advances under Title XII of the Social Security Act totaling \$938.3 million during fiscal years 2010, 2011, 2012 and 2013. No advances were required during fiscal year 2014.

Over the one year period July 1, 2013, to June 30, 2014, the unemployment rate declined from 5.6 percent to 5.2 percent. Additionally, there were approximately 30,912 fewer initial unemployment claims filed than in the previous year. These declines were offset by increases in the average weekly benefit amounts from approximately \$286 to \$290 in fiscal year 2014 and increases in the average benefit duration from 15.9 weeks to 16.3 weeks in fiscal year 2014. These multiple influences led to a decrease in the total benefit payments of \$48.7 million over the prior year.

**Figure 15**  
**Business-type Activities**  
**Program Revenues and Expenses**  
 For the Fiscal Year Ended June 30, 2014  
 (Dollars in Thousands)



## **Fund Statements Financial Analysis**

As of the end of the fiscal year, the primary government's governmental funds reported combined ending fund balances of \$3.9 billion, including a negative unassigned fund balance of \$781.5 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 \$629.6 million, a decrease of \$8.3 million in comparison with the prior year. Of this total fund balance, \$110.5 million represents nonspendable fund balance, \$970.5 million represents restricted fund balance, and \$330.1 million represents committed fund balance. These amounts are offset by a negative \$781.5 million unassigned fund balance.

Fiscal year 2014 General Fund revenues were 1.5 percent, or \$260.3 million, higher than fiscal year 2013 revenues. This revenue change results from increases of \$426.8 million primarily attributable to individual and fiduciary income taxes (\$280.7 million), interest, dividends, rents, and other investment income (\$65.3 million), and premiums of insurance companies taxes (\$52.0 million) offset by decreases of \$166.5 million primarily attributable to deeds, contracts, wills and suits taxes (\$69.7 million), other revenue primarily relating to expenditure recoveries from prior years (\$47.4 million), and tobacco master settlement revenue (\$25.3 million).

Fiscal year 2014 expenditures increased by 2.8 percent, or \$507.0 million, when compared to fiscal year 2013. This was primarily attributable to increases in education, individual and family services, and administration of justice expenditures of \$181.5 million, \$152.1 million, and \$95.2 million, respectively. Net other financing sources and uses increased by \$112.8 million, which is primarily due to lower transfers out to and higher transfers in from nongeneral funds.

### **Budget Highlights**

The General Fund began the year with an original revenue budget that was \$629.8 million, or 3.6 percent, higher than the final fiscal year 2013 revenue budget. Additionally, the final revenue budget was slightly lower (\$69.1 million or 0.4 percent) than the original budget. The change between the original and final budget was primarily attributable to decreases in the final budget for sales and use taxes of \$118.9 million and corporation income of \$69.9 million due to revised economic forecasts. This was offset by increases in the final budget for individual and fiduciary income taxes of \$44.5 million and deeds, contracts, wills and suits of \$41.1 million. Total actual General Fund revenues were lower than final budgeted revenues by \$453.4 million due to weaker than anticipated collections.

Total final budget expenditures were higher than original budget expenditures by \$110.7 million, or 0.6 percent. This increase was primarily attributable to budgeted expenditures for education of \$111.6 million, administration of justice of \$108.8 million, and resources and economic development of \$78.6 million, offset in part by a decrease in general government of \$192.0 million.

The Commonwealth spent less than planned so actual expenditures were \$342.4 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.

While some of the conditions left by the financial and economic downturn experienced between 2008 and 2010 are still visible in certain sectors, Virginia's economy continued to recover, however at a slower rate than in prior years. Data regarding the primary economic indicators – jobs and new housing units that looked promising in prior fiscal years has tapered off. During fiscal year 2014, the two General Fund revenue sources most closely tied to current economic activity – individual income taxes and retail sales taxes – experienced a reduction when compared to the 2013 collections by \$86.6 million (0.8 percent) and \$153.3 million (4.8 percent), respectively. The individual income tax collections were less than the estimated revenue by \$415.8 million (3.6 percent) while the retail sales taxes were slightly less than the estimated revenue by \$12.9 million (0.4 percent). These declines were due, at least in part, to declines in federal contractors and the restraint Virginia consumers have demonstrated in response to the federal government cutbacks.

Although the fiscal year 2014 revenue collections compared to the estimate required a re-estimate for fiscal year 2015, there is planned growth in the adopted budget for the 2015-2016 biennium (fiscal years 2015 and 2016). Based on the most recent General Fund revenue estimate, fiscal year 2015 revenue is projected to increase 2.8 percent over the fiscal year 2014 revenue collections. While there is anticipated revenue growth, the Governor has instructed Cabinet Secretaries to prepare and submit plans for 5.0 percent and 7.0 percent reductions in General Fund spending for fiscal years 2015 and 2016, respectively. The Governor will release his amendments to the 2015-2016 biennial budget on December 17, 2014.

## Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of \$2.3 billion, a decrease of \$138.2 million from the prior year. Approximately \$4.6 billion is contractually committed for various highway, public transportation, and rail preservation projects (see Note 20). The decrease in fund balance was primarily due to transportation expenditures exceeding revenues. Additionally, revenues and expenditures increased \$681.9 million, or 15.8 percent, and \$520.9 million, or 11.2 percent, respectively. This increased activity is primarily due to expenditures for highway maintenance, acquisition and construction.

The Federal Trust Fund balance increased by \$27.4 million, or 25.4 percent. This was primarily due to an increase in fines and forfeitures (reported as Other Revenue) of \$84.5 million, or 781.9 percent, and a net decrease in the Federal Grants and Contracts revenue of approximately \$103.4 million, or 1.2 percent. This change in the Federal Grants and Contracts revenue was primarily attributable to an increase in Medicaid funding of \$265.7 million, offset by the following decreases: lower American Recovery and Reinvestment Act revenue (\$92.6 million), unemployment insurance (\$152.6 million), food and home energy assistance programs (\$101.3 million), and education grants (\$29.3 million). Additionally, total expenditures decreased approximately \$26.5 million, or 0.3 percent. Net other financing sources and uses increased by \$7.3 million, or 37.3 percent.

The Literary Fund experienced a fund balance decrease of \$50.3 million, or 78.9 percent, in fiscal year 2014 when compared to fiscal year 2013. The decrease is the result of net disbursements exceeding net receipts by \$60.2 million, offset by a cash transfer in of \$9.8 million from the Virginia Lottery representing unclaimed prizes.

## Capital Asset and Long-term Debt

**Capital Assets.** The primary government's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$28.1 billion (net of accumulated depreciation totaling \$15.4 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements, and software. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. As noted on page 30, increases in capital assets and decreases in total liabilities and deferred inflows of resources resulted in an increase in net position of the governmental activities of \$753.0 million, or 3.7 percent. The increase in the primary government's net investment in capital assets was primarily attributable to increases in infrastructure and construction-in-progress of \$771.6 million and \$295.9 million, respectively. These increases are primarily attributable to transportation. The primary government reports equipment with a value of \$50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, infrastructure, and intangible assets that have a cost or value greater than \$100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 12, "Capital Assets."

**Figure 16**  
**Capital Assets as of June 30, 2014**  
**(Net of Depreciation)**  
(Dollars in Thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 2,821,220	\$ 1,977	\$ 2,823,197
Buildings	2,509,680	18,053	2,527,733
Equipment	482,538	13,661	496,199
Water Rights/Easements	64,870	-	64,870
Infrastructure	17,782,546	-	17,782,546
Software	253,556	2,683	256,239
Construction-in-Progress	3,984,130	132,165	4,116,295
<b>Total</b>	<b>\$ 27,898,540</b>	<b>\$ 168,539</b>	<b>\$ 28,067,079</b>

**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 \$37.6 billion, including total tax-supported debt of \$15.4 billion and total debt not supported by taxes of \$22.2 billion. Bonds backed by the full faith and credit of the government and tax-supported total \$1.7 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional \$831.2 million is considered moral obligation debt which is not tax-supported. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2014, the Commonwealth issued \$4.0 billion of new debt for various projects. Of this new debt, \$646.2 million was for the primary government and \$3.4 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found on page 147 in Note 26, "Long-Term Liabilities," as well as in the section entitled "Debt Schedules." The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service; Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc.; and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which may be issued to fund the defense of the Commonwealth; to meet casual deficits in revenue or in anticipation of the collection of revenues; or to redeem previous debt obligations, and are limited to 30.0 percent of 1.15 times the annual tax revenues for fiscal year 2014. 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 2012, 2013, and 2014. 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 2012, 2013, and 2014. The current debt limitation for the Commonwealth is \$5.3 billion, \$16.8 billion, and \$16.6 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt. Currently, there is no 9(a) debt outstanding.

**Figure 17**  
**Outstanding Debt as of June 30, 2014**  
**General Obligation Bonds**  
(Dollars in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
General obligation bonds				
9(b)	\$ 706,192	\$ -	\$ 706,192	\$ -
9(c)	36,677	-	36,677	925,086
<b>Total</b>	<b>\$ 742,869</b>	<b>\$ -</b>	<b>\$ 742,869</b>	<b>\$ 925,086</b>

## **Economic Factors and Review**

During fiscal year 2014, the Commonwealth continued a slow recovery that began in 2011 from the recession of 2008-10. However, the recovery has tapered off, which is a cause for moderate concern. The Commonwealth experienced a weaker job growth rate than at the national level (0.3 percent at the state level versus 1.7 percent nationally), widening the gap between the Commonwealth's job growth rate and that of the nation during the last fiscal year. Personal income growth continued to rise at a very modest 1.4 percent rate during fiscal year 2014, compared to 3.3 percent in fiscal year 2013. Unemployment in the Commonwealth and at the national level continued to decline during the fiscal year, reaching 5.2 percent and 6.8 percent, respectively. Total taxable sales in the Commonwealth experienced a slight increase of 0.9 percent over fiscal 2013. Economic indicators show that during fiscal year 2014, the housing market both in the Commonwealth and at the national level declined dramatically for the first time since the recession. Additionally, housing prices in the Commonwealth again showed a positive change for fiscal year 2014, with an increase of nearly 3.2 percent, compared to almost 7.0 percent at the national level. Fiscal year 2014 indicates that Virginia's recovery from the recession shows a slowdown in the employment and personal income indicators. Therefore, the positive outlook shown in fiscal year 2013 has been replaced with moderate concern.

## **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](http://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, 2014

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 3,440,192	\$ 988,902	\$ 4,429,094	\$ 2,640,151
Investments (Notes 1 and 6)	1,432,089	2,559,787	3,991,876	13,301,976
Receivables, Net (Notes 1 and 7)	3,109,620	496,674	3,606,294	12,611,121
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	351,341
Internal Balances (Note 1)	68,126	(68,126)	-	-
Due from Primary Government (Note 9)	-	-	-	16,090
Due from Component Units (Note 9)	19,270	-	19,270	106,936
Due from External Parties (Fiduciary Funds) (Note 9)	641	-	641	-
Inventory (Note 1)	125,475	62,314	187,789	92,490
Prepaid Items (Note 1)	110,478	2,791	113,269	134,783
Other Assets (Notes 1 and 10)	4,977	231	5,208	119,641
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	174,975
Loans Receivable from Component Units (Notes 1 and 9)	10,705	-	10,705	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	644,893	-	644,893	2,124,462
Restricted Investments (Notes 6 and 11)	-	-	-	4,645,848
Other Restricted Assets (Note 11)	-	-	-	281,011
Nondepreciable Capital Assets (Notes 1 and 12)	7,192,961	134,142	7,327,103	2,309,129
Depreciable Capital Assets, Net (Notes 1 and 12)	20,705,579	34,397	20,739,976	13,990,614
<b>Total Assets</b>	<b>36,865,006</b>	<b>4,211,112</b>	<b>41,076,118</b>	<b>52,900,568</b>
<b>Deferred Outflows of Resources (Notes 1, 13, and 14)</b>	<b>53,940</b>	<b>-</b>	<b>53,940</b>	<b>305,317</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>36,918,946</b>	<b>4,211,112</b>	<b>41,130,058</b>	<b>53,205,885</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable (Notes 1 and 24)	922,185	69,462	991,647	1,072,449
Amounts Due to Other Governments	736,016	7,014	743,030	104,518
Due to Primary Government (Note 9)	-	-	-	19,270
Due to Component Units (Note 9)	16,090	-	16,090	106,936
Due to External Parties (Fiduciary Funds) (Note 9)	21,624	634	22,258	24,735
Unearned Revenue (Note 1)	204,217	4,703	208,920	337,944
Obligations Under Securities Lending Program (Notes 1 and 6)	484,764	97,721	582,485	45,287
Other Liabilities (Notes 1, 14, and 25)	1,498,340	103,874	1,602,214	1,574,105
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	10,705
Loans Payable to Component Units (Notes 1 and 9)	174,975	-	174,975	-
Claims Payable (Notes 1 and 23):				
Due Within One Year	207,108	41,924	249,032	71,731
Due in More Than One Year	542,375	21,247	563,622	37,655
Long-term Liabilities (Notes 1, 21, 22, and 26):				
Due Within One Year	624,063	253,423	877,486	1,474,443
Due in More Than One Year	8,962,648	2,449,288	11,411,936	23,878,750
<b>Total Liabilities</b>	<b>14,394,405</b>	<b>3,049,290</b>	<b>17,443,695</b>	<b>28,758,528</b>
<b>Deferred Inflows of Resources (Notes 1, 13, 14, and 37)</b>	<b>1,562,385</b>	<b>-</b>	<b>1,562,385</b>	<b>21,531</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>15,956,790</b>	<b>3,049,290</b>	<b>19,006,080</b>	<b>28,780,059</b>

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Net Position</b>				
Net Investment in Capital Assets	22,316,758	12,312	22,329,070	9,510,269
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	2,991,430
Permanent Funds	34,302	-	34,302	-
Other	-	-	-	160,585
Expendable:				
Agriculture and Forestry	1,691	-	1,691	-
Bond Indenture	-	-	-	2,509,870
Capital Projects/Construction/Capital Acquisition	1,192	-	1,192	1,645,680
Debt Service	44,074	-	44,074	121,291
Economic and Technological Development	1,291	-	1,291	-
Educational and Training Programs	9,626	-	9,626	-
Environmental Quality and Natural Resource Preservation	22,589	-	22,589	-
Gifts and Grants	236,432	-	236,432	152,386
Health and Public Safety	99,945	-	99,945	-
Higher Education	-	-	-	5,806,136
Literary Fund	31,812	-	31,812	-
Lottery Proceeds Fund	32,809	-	32,809	-
Permanent Funds	1,368	-	1,368	-
Revenue Stabilization Fund	930,699	-	930,699	-
Transportation Activities	7,471	-	7,471	-
Unemployment Compensation Trust Fund	-	586,073	586,073	-
Virginia Pooled Investment Program	-	-	-	7,727
Virginia Water Supply Assistance Grant Fund	7,020	-	7,020	-
Other	3,570	-	3,570	10,370
Unrestricted	(2,820,493)	563,437	(2,257,056)	1,510,082
Total Net Position	\$ 20,962,156	\$ 1,161,822	\$ 22,123,978	\$ 24,425,826

## Statement of Activities

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 3,362,086	\$ 255,383	\$ 148,526	\$ 18,810
Education	9,430,802	517,418	763,040	179
Transportation	3,602,208	652,234	55,437	1,481,414
Resources and Economic Development	940,376	358,598	176,133	7,268
Individual and Family Services	13,115,503	375,950	7,559,269	193
Administration of Justice	2,927,249	401,280	29,404	1,016
Interest and Charges on Long-term Debt	237,782	-	-	-
Total Governmental Activities	33,616,006	2,560,863	8,731,809	1,508,880
Business-type Activities				
Virginia Lottery	1,265,839	1,811,099	-	-
Virginia College Savings Plan	104,354	407,708	-	-
Unemployment Compensation	535,715	761,352	-	-
Alcoholic Beverage Control	554,812	689,423	264	-
Risk Management	13,471	8,500	-	-
Local Choice Health Care	308,295	320,678	-	-
Route 460 Funding Corporation of Virginia	82,257	-	-	69,595
Virginia Industries for the Blind	37,521	36,078	-	-
Consolidated Laboratory	8,724	9,381	-	-
eVA Procurement System	19,827	16,051	-	-
Department of Environmental Quality Title V	11,786	10,546	-	-
Wireless E-911	37,315	53,559	-	-
Museum and Library Gift Shops	6,201	6,482	-	-
Behavioral Health Canteen and Work Activity	442	424	-	-
Total Business-type Activities	2,986,559	4,131,281	264	69,595
Total Primary Government	\$ 36,602,565	\$ 6,692,144	\$ 8,732,073	\$ 1,578,475
<b>Component Units</b>				
Virginia Housing Development Authority	\$ 479,889	\$ 471,982	\$ 129,555	\$ -
Virginia Public School Authority	142,776	144,848	3,121	-
Virginia Resources Authority	153,633	146,954	-	50,768
Virginia College Building Authority	655,149	77,756	42,335	106
Nonmajor	13,095,385	8,645,407	2,872,739	511,863
Total Component Units	\$ 14,526,832	\$ 9,486,947	\$ 3,047,750	\$ 562,737

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

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (2,939,367)	\$ -	\$ (2,939,367)	\$ -
(8,150,165)	-	(8,150,165)	-
(1,413,123)	-	(1,413,123)	-
(398,377)	-	(398,377)	-
(5,180,091)	-	(5,180,091)	-
(2,495,549)	-	(2,495,549)	-
(237,782)	-	(237,782)	-
(20,814,454)	-	(20,814,454)	-
-	545,260	545,260	-
-	303,354	303,354	-
-	225,637	225,637	-
-	134,875	134,875	-
-	(4,971)	(4,971)	-
-	12,383	12,383	-
-	(12,662)	(12,662)	-
-	(1,443)	(1,443)	-
-	657	657	-
-	(3,776)	(3,776)	-
-	(1,240)	(1,240)	-
-	16,244	16,244	-
-	281	281	-
-	(18)	(18)	-
-	1,214,581	1,214,581	-
(20,814,454)	1,214,581	(19,599,873)	-
-	-	-	121,648
-	-	-	5,193
-	-	-	44,089
-	-	-	(534,952)
-	-	-	(1,065,376)
-	-	-	(1,429,398)

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Position			Component Units
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
General Revenues				
Taxes				
Individual and Fiduciary Income	11,681,808	-	11,681,808	-
Sales and Use	4,597,105	-	4,597,105	-
Corporation Income	769,832	-	769,832	-
Motor Fuel	791,944	-	791,944	-
Motor Vehicle Sales and Use	780,817	-	780,817	-
Communications Sales and Use	420,371	-	420,371	-
Deeds, Contracts, Wills, and Suits	394,834	-	394,834	-
Premiums of Insurance Companies	459,933	-	459,933	-
Alcoholic Beverage Sales	132,044	-	132,044	-
Tobacco Products	182,110	-	182,110	-
Estate	149	-	149	-
Public Service Corporations	119,074	-	119,074	-
Beer and Beverage Excise	43,050	-	43,050	-
Wine and Spirits/ABC Liter	25,620	-	25,620	-
Bank Stock	22,581	-	22,581	-
Other Taxes	95,415	9,142	104,557	-
Operating Appropriations from Primary Government	-	-	-	2,064,432
Unrestricted Grants and Contributions	48,730	-	48,730	92,187
Investment Earnings	44,571	1,735	46,306	898,353
Miscellaneous	233,716	358	234,074	125,602
Transfers	723,701	(723,701)	-	-
Contributions to Permanent and Term Endowments	-	-	-	154,191
Total General Revenues, Transfers, and Contributions	21,567,405	(712,466)	20,854,939	3,334,765
Change in Net Position	752,951	502,115	1,255,066	1,905,367
Net Position, July 1, as restated (Note 2)	20,209,205	659,707	20,868,912	22,520,459
Net Position, June 30	\$ 20,962,156	\$ 1,161,822	\$ 22,123,978	\$ 24,425,826

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

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# Governmental Funds

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## 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.*

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## 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, 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.

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**Nonmajor Governmental Funds** include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 197 in the Combining and Individual Fund Statements and Schedules section of this report.

## Balance Sheet – Governmental Funds

June 30, 2014

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 284,555	\$ 1,937,955	\$ 175,718	\$ 25,595
Investments (Notes 1 and 6)	1,373,511	5,012	262	248
Receivables, Net (Notes 1 and 7)	1,811,046	330,761	693,100	188,883
Due from Other Funds (Note 9)	42,001	1,263	2,558	-
Due from Component Units (Note 9)	1,002	-	-	-
Due from External Parties (Fiduciary Funds) (Note 9)	300	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	31,353	60,416	11,589	-
Prepaid Items (Note 1)	79,187	12,155	1,711	-
Other Assets (Notes 1 and 10)	1,116	414	1,689	-
Loans Receivable from Component Units (Notes 1 and 9)	-	5,000	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	-	525,166	-	-
<b>Total Assets</b>	<b>3,624,071</b>	<b>2,878,142</b>	<b>886,627</b>	<b>214,726</b>
<b>Deferred Outflows of Resources (Notes 1 and 13)</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Assets and Deferred Outflows of Resources	\$ 3,624,104	\$ 2,878,142	\$ 886,627	\$ 214,726
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Accounts Payable (Notes 1 and 24)	\$ 257,490	\$ 311,344	\$ 125,380	\$ 20
Amounts Due to Other Governments	442,027	114	185,878	-
Due to Other Funds (Note 9)	31,526	19,524	10,572	-
Due to Component Units (Note 9)	403	-	4,508	-
Due to External Parties (Fiduciary Funds) (Note 9)	13,851	3,364	1,706	-
Interfund Payable (Note 9)	-	-	7,000	-
Unearned Revenue (Note 1)	-	59,603	7,662	-
Unearned Taxes (Note 1)	101,613	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	292,695	159,803	8,368	7,919
Other Liabilities (Notes 1 and 25)	976,226	6,869	323,015	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	174,975
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	1,078	168	101	-
<b>Total Liabilities</b>	<b>2,116,909</b>	<b>560,789</b>	<b>674,190</b>	<b>182,914</b>
<b>Deferred Inflows of Resources (Notes 1 and 13)</b>	<b>877,558</b>	<b>52,609</b>	<b>77,175</b>	<b>18,339</b>
Total Liabilities and Deferred Inflows of Resources	2,994,467	613,398	751,365	201,253
Fund Balances (Note 3):				
Nonspendable	110,540	72,571	13,300	-
Restricted	970,528	600,760	121,962	13,473
Committed	330,071	1,591,413	-	-
Assigned	-	-	-	-
Unassigned	(781,502)	-	-	-
<b>Total Fund Balances</b>	<b>629,637</b>	<b>2,264,744</b>	<b>135,262</b>	<b>13,473</b>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,624,104	\$ 2,878,142	\$ 886,627	\$ 214,726

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 742,398	\$ 3,166,221
53,056	1,432,089
76,337	3,100,127
10,417	56,239
2	1,004
147	447
110,842	110,842
4,971	108,329
13,301	106,354
1,754	4,973
5,705	10,705
-	525,166
1,018,930	8,622,496
-	33
\$ 1,018,930	\$ 8,622,529
\$ 58,591	\$ 752,825
9,540	637,559
5,167	66,789
-	4,911
2,395	21,316
13,151	20,151
10,374	77,639
-	101,613
15,979	484,764
4,427	1,310,537
-	174,975
228	1,575
119,852	3,654,654
34,151	1,059,832
154,003	4,714,486
52,470	248,881
242,194	1,948,917
553,425	2,474,909
16,838	16,838
-	(781,502)
864,927	3,908,043
\$ 1,018,930	\$ 8,622,529

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

June 30, 2014

(Dollars in Thousands)

<b>Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)</b>	<b>\$ 3,908,043</b>
<p>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.</p>	
Nondepreciable Capital Assets	7,158,715
Depreciable Capital Assets	20,616,455
<p>Deferred outflows associated with loss on debt refundings are long-term in nature and therefore not reported in the funds.</p>	
	53,907
<p>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.</p>	
Pension Liability	(2,088,995)
OPEB Liability	(559,271)
Capital Leases	(46,797)
Installment Purchases	(82,002)
Compensated Absences	(314,340)
Uninsured Employer's Fund	(36,632)
Bonds	(6,298,804)
Notes	(529)
Accrued Interest Payable	(83,100)
Other Obligations	(58,851)
Pollution Remediation Liability	(13,186)
<p>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.</p>	
	(467,536)
<p>Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.</p>	
	(221,454)
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p>	
	1,058,918
<p>Deferred inflows associated with Service Concession Arrangements are long-term in nature and therefore not reported in the funds.</p>	
	<u>(1,562,385)</u>
<b>Net position of governmental activities (see Government-wide Statement of Net Position)</b>	<b><u>\$ 20,962,156</u></b>

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, 2014

(Dollars in Thousands)

	Special Revenue			
	General	Commonwealth Transportation	Federal Trust	Literary
<b>Revenues</b>				
Taxes	\$ 17,432,190	\$ 2,978,253	\$ -	\$ -
Rights and Privileges	80,170	549,699	-	536
Institutional Revenue	36,078	-	-	-
Interest, Dividends, Rents, and Other Investment Income	92,420	21,018	689	12,442
Federal Grants and Contracts	9,456	1,301,707	8,369,398	-
Other (Note 27)	493,633	137,898	239,026	138,329
<b>Total Revenues</b>	<b>18,143,947</b>	<b>4,988,575</b>	<b>8,609,113</b>	<b>151,307</b>
<b>Expenditures</b>				
Current:				
General Government	2,229,051	84,114	147,950	20
Education	7,775,029	1,954	962,153	211,458
Transportation	774	5,034,546	16,292	-
Resources and Economic Development	406,346	13,610	170,932	-
Individual and Family Services	5,503,600	-	7,168,396	-
Administration of Justice	2,542,615	9,733	96,634	-
Capital Outlay	10,026	10,566	7,082	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
<b>Total Expenditures</b>	<b>18,467,441</b>	<b>5,154,523</b>	<b>8,569,439</b>	<b>211,478</b>
Revenues Over (Under) Expenditures	(323,494)	(165,948)	39,674	(60,171)
<b>Other Financing Sources (Uses)</b>				
Transfers In (Note 32)	777,011	81,054	13,420	9,866
Transfers Out (Note 32)	(469,899)	(365,458)	(25,752)	-
Notes Issued	3,371	-	-	-
Insurance Recoveries	123	93	3	-
Capital Leases Issued	147	153	67	-
Bonds Issued	-	273,390	-	-
Premium on Debt Issuance	-	34,488	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	4,434	4,002	1	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>315,187</b>	<b>27,722</b>	<b>(12,261)</b>	<b>9,866</b>
<b>Net Change in Fund Balances</b>	<b>(8,307)</b>	<b>(138,226)</b>	<b>27,413</b>	<b>(50,305)</b>
Fund Balance, July 1, as restated (Note 2)	637,944	2,402,970	107,849	63,778
<b>Fund Balance, June 30</b>	<b>\$ 629,637</b>	<b>\$ 2,264,744</b>	<b>\$ 135,262</b>	<b>\$ 13,473</b>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 88,198	\$ 20,498,641
319,656	950,061
289,591	325,669
17,896	144,465
-	9,680,561
352,585	1,361,471
<u>1,067,926</u>	<u>32,960,868</u>
76,612	2,537,747
19,819	8,970,413
5,890	5,057,502
321,213	912,101
523,841	13,195,837
74,677	2,723,659
166,093	193,767
420,835	420,835
279,270	279,270
<u>1,888,250</u>	<u>34,291,131</u>
(820,324)	(1,330,263)
779,997	1,661,348
(66,386)	(927,495)
12,329	15,700
673	892
-	367
-	273,390
40,054	74,542
276,765	276,765
7,507	15,944
(336,917)	(336,917)
<u>714,022</u>	<u>1,054,536</u>
(106,302)	(275,727)
971,229	4,183,770
<u>\$ 864,927</u>	<u>\$ 3,908,043</u>

**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, 2014  
(Dollars in Thousands)

**Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)** **\$ (275,727)**

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	1,909,155
Nondepreciable Capital Assets Disposed	(384,840)
Depreciable Capital Assets Acquired	746,855
Depreciable Capital Assets Disposed	(265,106)
Depreciation Expense	(977,690)

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

Debt Issuance	(273,390)
Capital Lease Proceeds	(367)
Bond Premiums	(74,542)
Refunding Bonds Issued	(276,765)
Installment Purchase Proceeds	(15,700)

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

Debt Service Fund Repayment of Debt Principal	420,835
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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.	336,917
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	8,798
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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 Pension Liability	(235,670)
Increase in OPEB Liability	(73,742)
Increase in Other Long-term Liabilities	(18,666)
Increase in Compensated Absences	(3,556)
Decrease in Interest Expense, Amortization of Long-term Debt premium and discounts, and Accrued Interest Liability	55,815
Decrease in Other Liabilities	30,686

Net Increase in Due to Component Units for Capital and Other Projects resulting from appropriation reductions or amounts due to Federal Governments for interest and rebate repayments, which are not reported as expenditures in the fund statements.	(230)
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The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	99,978
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The amortization of deferred inflows associated with Service Concession Arrangements are not included in the funds.	19,903
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<b>Change in net position of governmental activities (See Government-wide Statement of Activities)</b>	<b>\$ <u>752,951</u></b>
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The accompanying notes are an integral part of this financial statement.

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# Proprietary Funds

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*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.*

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## Major Enterprise Funds

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

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

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**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 209 in the Combining and Individual Fund Statements and Schedules section of this report.

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**Internal Service Funds** include those operations of state agencies which are listed on page 225 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Fund Net Position – Proprietary Funds

June 30, 2014

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 122,720	\$ 60,621	\$ 487,681	\$ 317,880
Investments (Notes 1 and 6)	26,378	-	-	10,159
Receivables, Net (Notes 1 and 7)	73,364	68,833	141,722	47,504
Due from Other Funds (Note 9)	-	-	1,276	440
Due from External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due from Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	124	-	-	62,190
Prepaid Items (Note 1)	273	46	-	2,472
Other Assets (Notes 1 and 10)	1	21	-	209
<b>Total Current Assets</b>	<b>222,860</b>	<b>129,521</b>	<b>630,679</b>	<b>440,854</b>
<b>Noncurrent Assets:</b>				
Investments (Notes 1 and 6)	129,376	2,367,744	-	26,130
Receivables, Net (Notes 1 and 7)	-	165,251	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	134,142
Depreciable Capital Assets, Net (Notes 1 and 12)	6,873	9,558	-	17,966
<b>Total Noncurrent Assets</b>	<b>136,249</b>	<b>2,542,553</b>	<b>-</b>	<b>178,238</b>
<b>Total Assets</b>	<b>359,109</b>	<b>2,672,074</b>	<b>630,679</b>	<b>619,092</b>
<b>Deferred Outflows of Resources (Notes 1 and 13)</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>359,109</b>	<b>2,672,074</b>	<b>630,679</b>	<b>619,092</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
<b>Current Liabilities:</b>				
Accounts Payable (Notes 1 and 24)	14,182	1,295	190	53,795
Amounts Due to Other Governments	-	-	6,100	914
Due to Other Funds (Note 9)	28,215	61	2,839	14,508
Due to External Parties (Fiduciary Funds) (Note 9)	119	44	-	471
Interfund Payable (Note 9)	-	-	-	26,563
Unearned Revenue (Note 1)	2,515	-	-	2,188
Obligations Under Securities Lending Program (Notes 1 and 6)	97,591	-	-	130
Other Liabilities (Notes 1 and 25)	61,978	215	35,477	6,204
Claims Payable Due Within One Year (Notes 1 and 23)	-	-	-	41,924
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	24,496	224,868	-	4,059
<b>Total Current Liabilities</b>	<b>229,096</b>	<b>226,483</b>	<b>44,606</b>	<b>150,756</b>
<b>Noncurrent Liabilities:</b>				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 23)	-	-	-	21,247
Long-term Liabilities Due in More Than One Year (Notes 1, 21, and 26)	143,863	1,927,348	-	378,077
<b>Total Noncurrent Liabilities</b>	<b>143,863</b>	<b>1,927,348</b>	<b>-</b>	<b>399,324</b>
<b>Total Liabilities</b>	<b>372,959</b>	<b>2,153,831</b>	<b>44,606</b>	<b>550,080</b>
<b>Deferred Inflows of Resources (Notes 1 and 13)</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>372,959</b>	<b>2,153,831</b>	<b>44,606</b>	<b>550,080</b>
<b>Net Position</b>				
Net Investment in Capital Assets	6,873	3,486	-	1,953
Restricted for Unemployment Compensation	-	-	586,073	-
Unrestricted	(20,723)	514,757	-	67,059
<b>Total Net Position (Deficit) (Note 4)</b>	<b>\$ (13,850)</b>	<b>\$ 518,243</b>	<b>\$ 586,073</b>	<b>\$ 69,012</b>

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

Net position of business-type activities

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

	Governmental Activities	
Total	Internal Service Funds	
\$ 988,902	\$	393,698
36,537		-
331,423		9,493
1,716		56,151
-		194
-		17,607
62,314		17,146
2,791		5,039
231		3,114
1,423,914		502,442
2,523,250		-
165,251		-
134,142		34,246
34,397		89,124
2,857,040		123,370
4,280,954		625,812
-		-
4,280,954		625,812
69,462		57,364
7,014		3,622
45,623		1,694
634		308
26,563		18,849
4,703		126,594
97,721		-
103,874		852
41,924		207,108
253,423		8,525
650,941		424,916
-		45,279
21,247		542,375
2,449,288		78,434
2,470,535		666,088
3,121,476		1,091,004
-		-
3,121,476		1,091,004
12,312		92,794
586,073		-
561,093		(557,986)
\$ 1,159,478	\$	(465,192)
2,344		
\$ 1,161,822		

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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Business-type Activities Enterprise Funds		
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 1,810,821	\$ 153,984	\$ 754,192
Interest, Dividends, Rents, and Other Investment Income	-	253,724	6,724
Other (Note 27)	-	-	121
Total Operating Revenues	<u>1,810,821</u>	<u>407,708</u>	<u>761,037</u>
<b>Operating Expenses</b>			
Cost of Sales and Services	130,491	-	-
Prizes and Claims (Note 28)	1,072,636	-	535,731
Tuition Benefits Expense	-	84,117	-
Personal Services	27,022	9,600	-
Contractual Services	30,604	7,351	-
Supplies and Materials	652	34	-
Depreciation	2,992	522	-
Rent, Insurance, and Other Related Charges	1,789	133	-
Interest Expense	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other (Note 29)	-	2,573	-
Total Operating Expenses	<u>1,266,186</u>	<u>104,330</u>	<u>535,731</u>
Operating Income	<u>544,635</u>	<u>303,378</u>	<u>225,306</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	1,384	-	-
Capital Disbursements	-	-	-
Other (Note 30)	80	(153)	315
Total Nonoperating Revenues (Expenses)	<u>1,464</u>	<u>(153)</u>	<u>315</u>
Income Before Capital Contributions, Special Item, and Transfers	546,099	303,225	225,621
Capital Contributions	-	-	-
Special Item (Note 31)	-	-	-
Transfers In (Note 32)	-	-	-
Transfers Out (Note 32)	(548,386)	(197)	(11,148)
Change in Net Position	<u>(2,287)</u>	<u>303,028</u>	<u>214,473</u>
Total Net Position (Deficit), July 1, as restated (Note 2)	(11,563)	215,215	371,600
Total Net Position (Deficit), June 30 (Note 4)	<u>\$ (13,850)</u>	<u>\$ 518,243</u>	<u>\$ 586,073</u>

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

Change in Net Position of business-type activities

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

		<b>Governmental Activities</b>	
<b>Nonmajor</b>	<b>Total</b>	<b>Internal Service Funds</b>	
\$ 1,132,732	\$ 3,851,729	\$ 1,933,672	
3	260,451	-	
18,419	18,540	2	
1,151,154	4,130,720	1,933,674	
394,463	524,954	65,915	
302,496	1,910,863	1,177,130	
-	84,117	-	
131,658	168,280	57,857	
64,679	102,634	413,299	
34,225	34,911	10,109	
3,347	6,861	15,629	
30,551	32,473	75,988	
-	-	9	
35,620	35,620	-	
3,399	5,972	12,118	
1,000,438	2,906,685	1,828,054	
150,716	1,224,035	105,620	
854	2,238	111	
(69,595)	(69,595)	-	
(3,126)	(2,884)	(1,287)	
(71,867)	(70,241)	(1,176)	
78,849	1,153,794	104,444	
69,595	69,595	-	
-	-	8,113	
349	349	388	
(164,319)	(724,050)	(10,540)	
(15,526)	499,688	102,405	
84,538	659,790	(567,597)	
\$ 69,012	\$ 1,159,478	\$ (465,192)	

2,427  
\$ 502,115

## Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Business-type Activities			
	Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Cash Flows from Operating Activities</b>				
Receipts for Sales and Services	\$ 1,796,581	\$ 162,880	\$ 767,724	\$ 1,130,687
Receipts from Investments	-	-	6,724	-
Internal Activity-Receipts from Other Funds	-	-	4,971	8,265
Internal Activity-Payments to Other Funds	-	(347)	-	(2,216)
Payments to Suppliers for Goods and Services	(130,614)	(841)	-	(456,910)
Payments for Contractual Services	(15,896)	(7,009)	-	(64,561)
Payments for Prizes, Claims, and Loss Control (Note 35)	(1,173,142)	-	(560,891)	(298,783)
Payments for Tuition Benefits	-	(132,456)	-	-
Payments to Employees	(24,769)	(8,766)	-	(123,909)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(35,367)
Payments for Interest	-	-	-	-
Other Operating Revenue (Note 35)	-	-	25	9,405
Other Operating Expense (Note 35)	-	(2,880)	-	(2,223)
Net Cash Provided by Operating Activities	452,160	10,581	218,553	164,388
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In from Other Funds	-	-	-	349
Transfers Out to Other Funds	(542,534)	(197)	(11,274)	(357,542)
Other Noncapital Financing Receipt Activities (Note 35)	720	-	771	230,619
Other Noncapital Financing Disbursement Activities (Note 35)	-	-	-	(31,326)
Net Cash Used for Noncapital Financing Activities	(541,814)	(197)	(10,503)	(157,900)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(2,706)	(133)	-	(69,217)
Payment of Principal and Interest on Bonds and Notes	-	(533)	-	(12,084)
Proceeds from Sale of Capital Assets	-	-	-	4
Capital Contributions	-	-	-	91,298
Capital Disbursements	-	-	-	(91,298)
Other Capital and Related Financing Disbursement Activities (Note 35)	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	(2,706)	(666)	-	(81,297)
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	(1,529)	(2,049,421)	-	(39,358)
Proceeds from Sales or Maturities of Investments	29,264	1,873,460	-	2,689
Investment Income on Cash, Cash Equivalents, and Investments	745	151,659	-	430
Net Cash Provided by (Used for) Investing Activities	28,480	(24,302)	-	(36,239)
Net Increase (Decrease) in Cash and Cash Equivalents	(63,880)	(14,584)	208,050	(111,048)
<b>Cash and Cash Equivalents, July 1</b>	<b>92,071</b>	<b>75,205</b>	<b>279,631</b>	<b>429,011</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 28,191</b>	<b>\$ 60,621</b>	<b>\$ 487,681</b>	<b>\$ 317,963</b>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Per the Statement of Net Position:				
Cash and Cash Equivalents	\$ 122,720	\$ 60,621	\$ 487,681	\$ 317,880
Cash and Travel Advances	1	-	-	209
Less:				
Securities Lending Cash Equivalents	(94,530)	-	-	(126)
Cash and Cash Equivalents per the Statement of Cash Flow s	\$ 28,191	\$ 60,621	\$ 487,681	\$ 317,963

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

		<b>Governmental Activities</b>	
		<b>Internal Service Funds</b>	
<b>Total</b>			
<b>\$</b>	<b>3,857,872</b>	<b>\$</b>	<b>713,028</b>
	6,724		-
	13,236		1,225,063
	(2,563)		(10,039)
	(588,365)		(142,735)
	(87,466)		(412,100)
	(2,032,816)		(1,179,164)
	(132,456)		-
	(157,444)		(51,921)
	(35,367)		-
	-		(9)
	9,430		1
	(5,103)		(11,216)
	<u>845,682</u>		<u>130,908</u>
	349		388
	(911,547)		(1,113)
	232,110		240
	(31,326)		(7,930)
	(710,414)		(8,415)
	(72,056)		(8,357)
	(12,617)		(10,762)
	4		1,781
	91,298		-
	(91,298)		-
	-		(1,500)
	<u>(84,669)</u>		<u>(18,838)</u>
	(2,090,308)		-
	1,905,413		-
	152,834		1
	(32,061)		1
	18,538		103,656
	875,918		290,046
<b>\$</b>	<b><u>894,456</u></b>	<b>\$</b>	<b><u>393,702</u></b>
	988,902		393,698
	210		4
	(94,656)		-
<b>\$</b>	<b><u>894,456</u></b>	<b>\$</b>	<b><u>393,702</u></b>

Continued on next page

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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Operating Income (Loss)	\$ 544,635	\$ 303,378	\$ 225,306	\$ 150,716
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation	2,992	522	-	3,347
Interest, Dividends, Rents, and Other Investment Income	(7,954)	(253,724)	-	-
Miscellaneous Nonoperating Income	-	-	(330)	7
Other	-	-	-	(2,208)
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(13,879)	8,114	(635)	(2,500)
(Increase) Decrease in Due from Other Funds	-	-	36	21,984
(Increase) Decrease in Due from External Parties (Fiduciary Funds)	-	-	65	-
(Increase) Decrease in Due from Component Units	-	-	-	-
(Increase) Decrease in Other Assets	-	(21)	-	2,682
(Increase) Decrease in Inventory	(124)	-	-	(4,229)
(Increase) Decrease in Prepaid Items	25	(34)	-	(615)
Increase (Decrease) in Accounts Payable	7,176	504	46	(19,403)
Increase (Decrease) in Amounts Due to Other Governments	-	-	(1,640)	(1,288)
Increase (Decrease) in Due to Other Funds	35	(1)	53	739
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	16	7	-	67
Increase (Decrease) in Unearned Revenue	(358)	-	-	164
Increase (Decrease) in Other Liabilities	(62,832)	(33)	(4,348)	(388)
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	3,468
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	2,955
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(5,138)	15,192	-	538
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(12,434)	(63,323)	-	8,352
Net Cash Provided by (Used for) Operating Activities	<u>\$ 452,160</u>	<u>\$ 10,581</u>	<u>\$ 218,553</u>	<u>\$ 164,388</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the Statement of Net Position date:				
Installment Purchases Used to Finance Capital Assets	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	102,065	-	(356)
Capital Asset Addition Included in Accounts Payable	-	-	-	5,574
Capitalized Interest Accrued	-	-	-	2,539
Other	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 102,065</u>	<u>\$ -</u>	<u>\$ 7,757</u>

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

	<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>	
<b>\$ 1,224,035</b>	<b>\$</b>	<b>105,620</b>
6,861		15,629
(261,678)		-
(323)		147
(2,208)		-
(8,900)		5,101
22,020		(6,189)
65		(33)
-		(3,087)
2,661		380
(4,353)		4,129
(624)		(4,559)
(11,677)		(5,631)
(2,928)		538
826		(97)
90		48
(194)		8,200
(67,601)		(5,488)
3,468		5,575
2,955		4,641
10,592		39
(67,405)		5,945
<b>\$ 845,682</b>	<b>\$</b>	<b>130,908</b>
<b>\$ -</b>	<b>\$</b>	<b>5,392</b>
101,709		-
5,574		2,164
2,539		-
-		(43)
<b>\$ 109,822</b>	<b>\$</b>	<b>7,513</b>



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# Fiduciary Funds

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## **Private Purpose Trust Funds**

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

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## **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.*

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## **Investment Trust Fund**

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

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## **Agency Funds**

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

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A listing of all Fiduciary Funds is located on pages 234-235 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 236.

## Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2014

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 115,642	\$ 268,165	\$ 1,263,982	\$ 335,196
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	78,147	19,976,002	112,371	-
Stocks	497,877	24,862,799	-	-
Fixed Income Commingled Funds	-	659,415	-	-
Index and Pooled Funds	1,476,212	6,167,946	-	-
Real Estate	2,123	6,173,539	-	-
Private Equity	-	8,941,188	-	-
Mutual and Money Market Funds	767,642	-	-	-
Short-term Investments	-	147,352	1,350,692	57,844
Hybrid Defined Contribution Investments	-	1,213	-	-
Other	477,968	6,022,200	-	341,678
Total Investments	3,299,969	72,951,654	1,463,063	399,522
Receivables, Net (Notes 1 and 7):				
Accounts	8	-	-	81,137
Contributions	-	242,659	-	-
Interest and Dividends	1,806	214,662	506	-
Security Transactions	-	1,300,666	-	-
Other Receivables	-	21,305	-	-
Total Receivables	1,814	1,779,292	506	81,137
Due from Other Funds (Note 9)	-	8,349	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	22,258	-	-
Due from Component Units (Note 9)	-	24,735	-	-
Prepaid Items (Note 1)	225	-	-	-
Other Assets (Notes 1 and 10)	-	-	-	33
Furniture and Equipment (Note 1)	-	30,426	-	-
Total Assets	3,417,650	75,084,879	2,727,551	815,888
<b>Deferred Outflow of Resources (Notes 1 and 13)</b>	-	-	-	-
Total Assets and Deferred Outflows of Resources	3,417,650	75,084,879	2,727,551	815,888
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable and Accrued Expenses (Notes 1 and 24)	3,191	41,748	-	5,646
Amounts Due to Other Governments	-	-	-	253,006
Due to Other Funds (Note 9)	58	8,291	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	25	169	300	147
Obligations Under Securities Lending Program (Notes 1 and 6)	492	6,022,114	-	1,081
Other Liabilities (Notes 1 and 25)	3,892	118,444	-	555,673
Retirement Benefits Payable	-	309,774	-	-
Refunds Payable	-	4,503	-	-
Compensated Absences Payable (Notes 1 and 21)	286	2,275	-	-
Insurance Premiums and Claims Payable	69	58,388	-	335
Payable for Security Transactions	-	2,322,757	-	-
Pension Liability	1,473	14,954	-	-
Other Postemployment Benefits (OPEB) Liability	544	5,588	-	-
Total Liabilities	10,030	8,909,005	300	815,888
<b>Deferred Inflows of Resources (Notes 1 and 13)</b>	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	10,030	8,909,005	300	815,888
<b>Net Position Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes</b>				
	\$ 3,407,620	\$ 66,175,874	\$ 2,727,251	\$ -

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, 2014

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income	\$ 327,361	\$ 9,463,251	\$ 1,996
Distributions to Shareholders from Net Investment Income	-	-	(1,996)
Total Investment Income	327,361	9,463,251	-
Less Investment Expenses	4,490	361,294	-
Net Investment Income	322,871	9,101,957	-
Proceeds from Unclaimed Property	184,219	-	-
<b>Contributions:</b>			
Participants	355,379	-	-
Member	-	946,035	-
Employer	-	2,129,811	-
Total Contributions	355,379	3,075,846	-
Shares Sold	-	-	4,254,179
Reinvested Distributions	-	-	1,990
Other Revenue (Note 27)	1	796	-
Total Additions	862,470	12,178,599	4,256,169
<b>Deductions:</b>			
Loan Servicing Payments	267	-	-
Educational Expense Benefits	148,333	-	-
Retirement Benefits	-	3,879,183	-
Refunds to Former Members	-	103,431	-
Retiree Health Insurance Credits	-	142,610	-
Insurance Premiums and Claims	32,728	167,182	-
Trust Payments	1,318	-	-
Administrative Expenses	8,529	46,138	-
Other Expenses (Note 29)	-	9,047	-
Shares Redeemed	17,414	-	3,865,494
Long-term Disability Benefits	-	33,820	-
Total Deductions	208,589	4,381,411	3,865,494
<b>Transfers:</b>			
Transfers In	-	10	-
Transfers Out	-	(10)	-
Total Transfers	-	-	-
Net Increase	653,881	7,797,188	390,675
<b>Net Position Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes</b>			
<b>July 1</b>	2,753,739	58,378,686	2,336,576
<b>June 30</b>	<u>\$ 3,407,620</u>	<u>\$ 66,175,874</u>	<u>\$ 2,727,251</u>

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



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## Component Units

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

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

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

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

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

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**Nonmajor Component Units** include those listed on pages 258-259 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Net Position – Component Units**

June 30, 2014

(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents (Notes 1 and 6)	\$ 5,268	\$ 16,922	\$ 6,333
Investments (Notes 1 and 6)	148,921	3,321,818	4,420
Receivables, Net (Notes 1 and 7)	7,173,954	66,836	4,160,512
Contributions Receivable, Net (Notes 1 and 8)	-	-	-
Due from Primary Government (Note 9)	-	-	336
Due from Component Units (Note 9)	-	-	-
Inventory (Note 1)	-	-	-
Prepaid Items (Note 1)	3,327	-	38
Other Assets (Notes 1 and 10)	5,355	-	-
Loans Receivable from Primary Government (Notes 1 and 9)	-	174,975	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	495,752	131,394	280,378
Restricted Investments (Notes 6 and 11)	107,351	-	370,893
Other Restricted Assets (Note 11)	50,437	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	5,114	-	-
Depreciable Capital Assets, Net (Notes 1 and 12)	19,463	-	52
Total Assets	<u>8,014,942</u>	<u>3,711,945</u>	<u>4,822,962</u>
<b>Deferred Outflows of Resources (Notes 1, 13, and 14)</b>	<u>-</u>	<u>108,012</u>	<u>41,363</u>
Total Assets and Deferred Outflows of Resources	<u>8,014,942</u>	<u>3,819,957</u>	<u>4,864,325</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable (Notes 1 and 24)	23,621	149	140
Amounts Due to Other Governments	-	98,364	-
Due to Primary Government (Note 9)	-	-	-
Due to Component Units (Note 9)	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	-
Unearned Revenue (Note 1)	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	-
Other Liabilities (Notes 1, 14 and 25)	222,421	57,449	39,972
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-
Claims Payable (Notes 1 and 23):			
Due Within One Year	-	-	-
Due in More Than One Year	-	-	-
Long-term Liabilities (Notes 1, 21, and 26):			
Due Within One Year	298,475	282,435	140,057
Due in More Than One Year	4,826,834	3,416,172	3,229,659
Total Liabilities	<u>5,371,351</u>	<u>3,854,569</u>	<u>3,409,828</u>
<b>Deferred Inflows of Resources (Notes 1, 13, and 14)</b>	<u>-</u>	<u>-</u>	<u>16,641</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,371,351</u>	<u>3,854,569</u>	<u>3,426,469</u>
<b>Net Position</b>			
Net Investment in Capital Assets	6,404	-	52
Restricted For:			
Nonexpendable:			
Higher Education	-	-	-
Other	-	-	-
Expendable:			
Bond Indenture	2,509,870	-	-
Capital Projects/Construction/Capital Acquisition	-	-	1,419,109
Debt Service	-	-	-
Gifts and Grants	-	-	-
Higher Education	-	-	-
Virginia Pooled Investment Program	-	-	7,727
Other	-	-	-
Unrestricted	127,317	(34,612)	10,968
Total Net Position (Deficit) (Note 4)	<u>\$ 2,643,591</u>	<u>\$ (34,612)</u>	<u>\$ 1,437,856</u>

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

Virginia College Building Authority	Nonmajor Component Units	Total
\$ 47	\$ 2,611,581	\$ 2,640,151
-	9,826,817	13,301,976
25,664	1,184,155	12,611,121
-	351,341	351,341
4,173	11,581	16,090
-	106,936	106,936
-	92,490	92,490
-	131,418	134,783
-	114,286	119,641
-	-	174,975
276,369	940,569	2,124,462
-	4,167,604	4,645,848
-	230,574	281,011
-	2,304,015	2,309,129
-	13,971,099	13,990,614
306,253	36,044,466	52,900,568
10,775	145,167	305,317
317,028	36,189,633	53,205,885
7	1,048,532	1,072,449
-	6,154	104,518
-	19,270	19,270
102,833	4,103	106,936
-	24,735	24,735
-	337,944	337,944
-	45,287	45,287
84,817	1,169,446	1,574,105
-	10,705	10,705
-	71,731	71,731
-	37,655	37,655
189,005	564,471	1,474,443
3,097,114	9,308,971	23,878,750
3,473,776	12,649,004	28,758,528
-	4,890	21,531
3,473,776	12,653,894	28,780,059
-	9,503,813	9,510,269
-	2,991,430	2,991,430
-	160,585	160,585
-	-	2,509,870
-	226,571	1,645,680
-	121,291	121,291
-	152,386	152,386
171,884	5,634,252	5,806,136
-	-	7,727
-	10,370	10,370
(3,328,632)	4,735,041	1,510,082
\$ (3,156,748)	\$ 23,535,739	\$ 24,425,826

**Statement of Activities – Component Units**

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Program Revenues				Net (Expenses) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Virginia Housing Development Authority	\$ 479,889	\$ 471,982	\$ 129,555	\$ -	\$ 121,648
Virginia Public School Authority	142,776	144,848	3,121	-	5,193
Virginia Resources Authority	153,633	146,954	-	50,768	44,089
Virginia College Building Authority	655,149	77,756	42,335	106	(534,952)
Total Major Component Units	1,431,447	841,540	175,011	50,874	(364,022)
Nonmajor Component Units:					
Higher Education	12,223,647	8,013,887	2,799,584	481,411	(928,765)
Other	871,738	631,520	73,155	30,452	(136,611)
Total Nonmajor Component Units	13,095,385	8,645,407	2,872,739	511,863	(1,065,376)
Total Component Units	\$ 14,526,832	\$ 9,486,947	\$ 3,047,750	\$ 562,737	\$ (1,429,398)

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

Operating Appropriations from Primary Government	General Revenues			Contributions to Permanent and Term Endowments	Change in Net Position	Net Position	Net Position
	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous			(Deficit) July 1, as restated (Note 2)	(Deficit) June 30 (Note 4)
\$ -	\$ -	\$ 11,130	\$ -	\$ -	\$ 132,778	\$ 2,510,813	\$ 2,643,591
-	-	106	811	-	6,110	(40,722)	(34,612)
-	-	-	-	-	44,089	1,393,767	1,437,856
223,469	-	-	-	-	(311,483)	(2,845,265)	(3,156,748)
223,469	-	11,236	811	-	(128,506)	1,018,593	890,087
1,744,757	74,044	862,190	121,034	150,657	2,023,917	19,462,213	21,486,130
96,206	18,143	24,927	3,757	3,534	9,956	2,039,653	2,049,609
1,840,963	92,187	887,117	124,791	154,191	2,033,873	21,501,866	23,535,739
\$ 2,064,432	\$ 92,187	\$ 898,353	\$ 125,602	\$ 154,191	\$ 1,905,367	\$ 22,520,459	\$ 24,425,826



# Index to the Notes to the Financial Statements

1. Summary of Significant Accounting Policies	
A. Basis of Presentation .....	74
B. Reporting Entity .....	74
C. Government-wide and Fund Financial Statements .....	80
D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	81
E. Budgetary Process .....	83
F. Cash, Cash Equivalents, Investments, and Derivatives.....	83
G. Receivables.....	84
H. Contributions Receivable, Net.....	84
I. Internal Balances.....	84
J. Inventory.....	84
K. Prepaid Items .....	84
L. Interfund Loans Receivable/Payable.....	84
M. Other Assets.....	84
N. Capital Assets .....	85
O. Deferred Outflows of Resources .....	85
P. Accounts Payable.....	85
Q. Unearned Revenue .....	85
R. Unearned Taxes.....	86
S. Obligations Under Securities Lending Program.....	86
T. Other Liabilities.....	86
U. Claims Payable .....	86
V. Long-term Liabilities .....	86
W. Deferred Inflows of Resources .....	86
X. Nonspendable Fund Balances .....	86
Y. Restricted Fund Balances .....	86
Z. Committed Fund Balances .....	87
AA. Assigned Fund Balances.....	87
BB. Unassigned Fund Balances.....	87
CC. Cash Management Improvement Act.....	87
DD. Investment Income .....	87
EE. Intrafund Eliminations.....	87
FF. Interfund Activity.....	87
2. Restatement of Beginning Balances.....	88
3. Net Position/Fund Balance Classifications .....	90
4. Deficit Fund Balances/Net Position .....	92
5. Revenue Stabilization Fund.....	92
6. Cash, Cash Equivalents, and Investments .....	93
7. Receivables.....	102
8. Contributions Receivable, Net.....	104
9. Interfund and Inter-Entity Assets/Liabilities.....	104
10. Other Assets.....	108
11. Restricted Assets.....	109
12. Capital Assets.....	110
13. Deferred Outflows and Deferred Inflows of Resources .....	112
14. Derivatives.....	114
15. Retirement and Pension Systems	
A. Administration.....	122
B. Summary of Significant Accounting Policies (Virginia Retirement System) .....	122
C. Plan Description .....	123
D. Funding Policy.....	124
E. Annual Pension Cost and Net Pension Obligation .....	125
F. Funded Status and Funding Progress.....	126
G. Defined Contribution Plan for Political Appointees .....	126
H. Defined Contribution Plan for Public School Superintendents.....	126
I. Virginia Supplemental Retirement Plan .....	126
J. Higher Education Fund (Component Unit)....	127
K. Other Component Units .....	128
16. Other Employment Benefits .....	131
17. Other Postemployment Benefits (OPEB)	
A. Virginia Retirement System (The System) Administered Plans.....	132
B. Pre-Medicare Retiree Healthcare .....	133
C. Annual OPEB Cost and Net OPEB Obligation .....	133
D. Funded Status and Funding Progress .....	135
E. Higher Education Fund (Component Unit)....	136
F. Other Component Units .....	136
18. Deferred Compensation Plans.....	136
19. State Non-Arbitrage Pool.....	137
20. Commitments	
A. Construction Projects.....	137
B. Operating Leases .....	138
C. Investment Commitments – Virginia Retirement System .....	139
D. Virginia Transportation Infrastructure Bank .....	139
E. Tobacco Grants .....	139
F. Other Commitments.....	139
21. Accrued Liability for Compensated Absences .....	140
22. Pollution Remediation Obligations .....	140
23. Insurance	
A. Self-Insurance .....	141
B. Public Entity Risk Pools.....	142
24. Accounts Payable .....	144
25. Other Liabilities .....	144
26. Long-term Liabilities.....	147
27. Other Revenue .....	163
28. Prizes and Claims.....	164
29. Other Expenses .....	164
30. Other Non-Operating Revenue/Expenses .....	165
31. Special Item .....	165
32. Transfers.....	166
33. On-Behalf Payments.....	167
34. Endowments .....	167
35. Cash Flows – Additional Detailed Information.....	168
36. Tobacco Settlement and Securitization.....	170
37. Service Concession Arrangements.....	170
38. Information Technology Infrastructure Partnership – Northrop Grumman.....	171
39. Contingencies	
A. Grants and Contracts.....	172
B. Litigation .....	172
C. Subject to Appropriation .....	172
D. Bailment Inventory.....	172
E. Route 460 Funding Corporation of Virginia...	172
F. Loan Guarantees.....	173
G. Regional Wet Weather Management Plan....	173
H. Virginia Horse Center Foundation Going Concern.....	174
40. Pending Governmental Accounting Standards Board Statement.....	174
41. Subsequent Events.....	174

# Notes to the Financial Statements

June 30, 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

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

### B. Reporting Entity

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

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

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

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

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

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

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

GASB statements generally require any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting

entity as nonprofit charitable organizations and exist solely to support the Commonwealth's higher education institutions and certain state agencies. The higher education institution nonprofit organizations are included in the applicable higher education institution's column in the accompanying financial statements. In all instances where separate disclosure of these nonprofit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "foundations."

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

Discretely presented component units are:

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

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

**Virginia Resources Authority (VRA)** (major) – The Authority was created as a public body corporate and a political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and recycling. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its

will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219. Brown, Edwards and Company, LLP audits the Authority, and a separate report is issued.

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

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

**Higher Education Institutions (nonmajor)** – The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the Commonwealth provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations

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

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

**Innovation and Entrepreneurship Investment Authority (IEIA)** (nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the state's institutions of higher education and private industry in the Commonwealth. In addition, the Authority serves to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor and General Assembly appoint the 15-member board, and there is a financial benefit/burden to the

primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

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

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

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

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

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

**Hampton Roads Sanitation District Commission** (nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing board of the district, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not

obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the district and operates a sewage system for 17 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1434 Air Rail Avenue, Virginia Beach, Virginia 23455. KPMG, LLP, audits the Commission, and a separate report is issued.

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

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

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

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

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

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

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

**Virginia Commercial Space Flight Authority (VCSFA)** (nonmajor) – The Authority is a legally separate political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. There is a potential financial benefit/burden to the primary government. The Commonwealth provided \$26.0 million in bond offerings through the Virginia Public Building Authority (nonmajor) to the VCSFA in fiscal year 2009. The Commonwealth provided \$25.6 million in capital contributions through a memorandum of understanding in September 2012. The Commonwealth provided an additional \$10.0 million of capital contributions through a settlement agreement by and among the VCSFA, the Commonwealth, and Orbital Sciences Corporation to the VCSFA in January

2014. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 303, Norfolk, Virginia 23508. Dixon Hughes Goodman, LLP audits the Authority, and a separate report is issued.

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

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

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

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

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

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

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

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

**Virginia Sesquicentennial of the American Civil War Foundation** (nonmajor) – The Foundation was established to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War. The Foundation was formed under the Virginia Nonstock Corporation Act. The economic resources received or held by the Foundation are entirely or almost entirely for

the direct benefit of the primary government. The administrative offices are located at the General Assembly Building, 2<sup>nd</sup> Floor, 201 North 9<sup>th</sup> Street, Richmond, VA 23219. Brown, Edwards & Company, LLP, audits the Foundation, and a separate report is issued.

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

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

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

**Virginia Health Workforce Development Authority** (nonmajor) – The Authority is a legally separate public body corporate and a political subdivision of the Commonwealth created by the General Assembly. The Authority facilitates the development of a

statewide health professions pipeline. The Governor appoints a majority of the board members and the primary government is able to impose its will on the Authority. The administrative offices of the Authority are located at 8527 Mayland Drive, Suite 104A, Richmond, Virginia 23294. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

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

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

**Jamestown-Yorktown Foundation, Inc.** – The nonprofit corporation was created by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The corporation board consists of five members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Corporation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments. The administrative offices of the Corporation are

located at 2207 Colonial Parkway, Post Office Box 3605, Williamsburg, Virginia 23187. Keiter Certified Public Accountants audits the Corporation, and a separate report is issued.

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

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

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

#### C. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which direct expenses of a specific

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

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

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

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

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

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current

fiscal year (or one year for Medicaid). Significant revenues subject to accrual include federal grants and income and sales taxes. Income tax revenues for tax underpayments are only recognized to the extent of the primary government's estimated refunds for tax overpayments received. Revenues that the primary government earns by incurring obligations are recognized in the same period as when the obligations are recognized.

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

The primary government reports the following major governmental funds:

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

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

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

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

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

eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus since they only report assets and liabilities.

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

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

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

- University of Virginia (nonmajor component unit):
  - institution assets of \$435,429
  - institution liabilities of \$932,934
  - foundation assets of \$1.0 million
  - foundation liabilities of \$357,206
- Old Dominion University (nonmajor component unit):
  - institution liabilities of \$64.6 million
  - foundation assets of \$52.9 million
- Longwood University (nonmajor component unit):
  - institution assets of \$596,060
  - institution expenses of \$5.4 million
  - foundation assets of \$343,494
  - foundation liabilities of \$211,556
  - foundation revenues of \$3.4 million

The primary government reports the following major enterprise funds:

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

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

**Unemployment Compensation Fund** – Accounts for receipts from employers and

expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the primary government reports the following fund types:

#### **Governmental Fund Types:**

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

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

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

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

#### **Proprietary Fund Types:**

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

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

#### **Fiduciary Fund Types:**

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

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

Commonwealth administered retirement systems and other employment benefits.

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

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

## E. Budgetary Process

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

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

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

## F. Cash, Cash Equivalents, Investments, and Derivatives

### Cash

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

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

### Cash Equivalents

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

### Investments

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

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

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

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

## Derivatives

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

## G. Receivables

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

## H. Contributions Receivable, Net

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

## I. Internal Balances

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

## J. Inventory

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

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

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

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

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

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

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

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

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

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

## K. Prepaid Items

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

## L. Interfund Loans Receivable/Payable

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

## M. Other Assets

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

## N. Capital Assets

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

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

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

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

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

Expenditures are classified as construction-in-progress if:

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

The estimated lives of capital assets are as follows:

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

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

## O. Deferred Outflows of Resources

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

## P. Accounts Payable

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

## Q. Unearned Revenue

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

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

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

#### **R. Unearned Taxes**

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

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

#### **S. Obligations Under Securities Lending Program**

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

#### **T. Other Liabilities**

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

#### **U. Claims Payable**

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

compensation, and medical claims payable amounts.

#### **V. Long-Term Liabilities**

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

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

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

#### **W. Deferred Inflows of Resources**

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

#### **X. Nonspendable Fund Balances**

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

#### **Y. Restricted Fund Balances**

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

## **Z. Committed Fund Balances**

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

## **AA. Assigned Fund Balances**

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

## **BB. Unassigned Fund Balances**

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

## **CC. Cash Management Improvement Act**

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

exchange is based by law on the average of the bond equivalent rates of 13-week Treasury Bills auctioned during the annual reporting period as calculated by FMS.

## **DD. Investment Income**

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

## **EE. Intrafund Eliminations**

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

## **FF. Interfund Activity**

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

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

## 2. RESTATEMENT OF BEGINNING BALANCES

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

### Government-wide Activities

#### • Governmental Activities

The Governmental Activities were restated for the following:

- Capital Asset balances were restated by \$34.9 million due to errors attributable primarily to the Department of Transportation and the Department of Conservation and Recreation that resulted in an understatement of previous balances.
- The Commonwealth Transportation (major special revenue) beginning balance has been restated for the following:
  - The prior balance was overstated by \$25.6 million due to a legislatively authorized disbursement to a third party being recorded as a loan receivable by the Department of Transportation. Originally, the Department understood this amount would be recovered. The Department no longer expects to receive this amount.
  - The prior balance was understated by \$15.8 million due to tax collections and associated receivables that were historically reported in the Funds for the Collection of Taxes and Fees (agency fund). A review of legislation during the current year identified these amounts as a state tax distributed to a locality versus a locality tax.

#### • Business-type Activities

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

### Fund Statements

The fund statement beginning balance restatements resulted from the following:

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

- The Route 460 Funding Corporation of Virginia (nonmajor enterprise) net position has been restated by \$2.6 million as discussed previously.
- Agency Funds have been restated by \$15.8 million to correct the reclassification of the tax collections and associated receivables as discussed previously.

### Component Units

- As previously mentioned, the Commonwealth implemented GASB Statement No. 65 during the fiscal year. The implementation of this Statement resulted in restated prior balances for unamortized bond issuance costs that are required to be expensed rather than amortized. Major component units, Virginia Housing Development Authority and Virginia Resources Authority, restated balances by \$5.3 million and \$568,626, respectively. The following nonmajor component unit restatements are Virginia Commonwealth University, \$1.7 million; Virginia State University, \$531,464; Norfolk State University, \$236,033; Old Dominion University, \$848,295; George Mason University, \$2.8 million; Virginia Community College System, \$978,067; Innovation and Entrepreneurship Investment Authority, \$7,470; Virginia Port Authority, \$5.0 million; Hampton Roads Sanitation District Commission, \$2.9 million; and Virginia Biotechnology Research Park Authority, \$502,419.
- The Commonwealth implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ending June 30, 2014. As a result, the Virginia Small Business Financing Authority (nonmajor) restated fund balance by \$162,805 related to financial guarantees issued.
- In addition to the restatement associated with the GASB Statement No. 65 implementation, the Virginia Port Authority (nonmajor) has restated balances by \$12.2 million due to the blended component unit adopting applicable GASB guidance for pension accounting.
- In addition to the restatement associated with the GASB Statement No. 65 implementation, Norfolk State University (nonmajor) has been restated for \$16.0 million because previously estimated financial information was used in the prior fiscal year. Audited information was subsequently made available.

**Beginning Balance Restatement**

(Dollars in Thousands)

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

### 3. NET POSITION/FUND BALANCE CLASSIFICATIONS

#### Fund Balance

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

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

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

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

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

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

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

**Governmental Fund Balance Classifications**

*(Dollars in Thousands)*

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

#### 4. DEFICIT FUND BALANCES/NET POSITION

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

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

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

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

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

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

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

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

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

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

#### 5. REVENUE STABILIZATION FUND

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

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

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

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

## 6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

## Custodial Risk

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

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

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

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

## Interest Rate Risk

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

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

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

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

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

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

**Primary Government Investments**  
(Dollars in Thousands)

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

**Component Unit Investments**  
(Dollars in Thousands)

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

## Foundation Investments

(Dollars in Thousands)

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

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

### Credit Risk

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

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

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

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

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

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

**Credit Rating - Primary Government**  
(Dollars in Thousands)

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

**Credit Rating - Component Units**  
(Dollars in Thousands)

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

## **Concentration of Credit Risk**

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

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

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

## **Foreign Currency Risk**

### **Primary Government**

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

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

### **Component Units**

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

**Foreign Currency Exposures by Asset Class - Primary Government**

*(Dollars in Thousands)*

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

**Foreign Currency Exposures by Asset Class - Component Units**

*(Dollars in Thousands)*

<u>Currency</u>	<u>Cash &amp; Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Private Equity</u>	<u>Real Estate</u>	<u>International Funds</u>	<u>Total</u>
U.S. Dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610	\$ 610
British Pound Sterling	1,443	-	-	-	-	-	1,443
Euro Currency Unit	3,147	-	-	-	-	-	3,147
Japanese Yen	2	-	-	-	-	-	2
Other	12	-	-	-	-	-	12
<b>Total</b>	<b>\$ 4,604</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 610</b>	<b>\$ 5,214</b>

## Securities Lending

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

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

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

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

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

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 84.9 percent general account funds and 15.1 percent Virginia Lottery funds as of June 30, 2014, had a carrying value of \$572.0 million and a fair value of \$617.4 million. The fair value of the collateral received was \$629.3 million providing for coverage of 101.9 percent. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was \$629.4 million and the fair value of the investments purchased with the cash collateral was \$629.3 million. As of June 30, 2014, the State Treasurer's cash collateral

reinvestment pool had an unrealized loss of \$73,349, and is recorded in the General Fund as stated in Note 1.DD. This amount is included in the total State Treasurer's Portfolio discussed earlier in this note.

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

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

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

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

securities on loan at June 30, 2014, was \$9.2 billion. The June 30, 2014, balance was composed of U.S. Government and agency securities of \$3.3 billion, corporate and other bonds of \$374.1 million and common and preferred stocks of \$5.5 billion. The value of collateral (cash and non-cash) at June 30, 2014, was \$9.7 billion.

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

## 7. RECEIVABLES

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

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

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

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

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

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

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

## 8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations<sup>(1)</sup> included with the nonmajor component units, as of June 30, 2014. The major component units reported no contributions receivable for fiscal year 2014.

*(Dollars in Thousands)*

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

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

Note (2): The discount rate used to determine present value ranges from 0.1 percent to 8.0 percent.

## 9. INTERFUND AND INTER-ENTITY ASSETS / LIABILITIES

### Due from/to Other Funds

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

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

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

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

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

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

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

June 30, 2014

*(Dollars in Thousands)*

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

**Schedule of Due from/to Internal/External Parties**

June 30, 2014

*(Dollars in Thousands)*

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

**Interfund Receivables/Payables**

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

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

**Interfund Receivables/Payables**

June 30, 2014

*(Dollars in Thousands)*

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

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

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

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

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

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

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

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

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

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

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

### **Due from/to Component Units and Fiduciary Funds**

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

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

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

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

## 10. OTHER ASSETS

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

*(Dollars in Thousands)*

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

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

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

## 11. RESTRICTED ASSETS

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

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

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

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

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

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

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

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

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

## 12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets.

### Schedule of Changes in Capital Assets Governmental Activities

(Dollars in Thousands)

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

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

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

### Depreciation Expense Charged to Functions of the Primary Government June 30, 2014

(Dollars in Thousands)

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

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

*(Dollars in Thousands)*

	<u>Balance July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 1,977	\$ -	\$ -	\$ 1,977
Construction-in-Progress	56,973	75,263	(71)	132,165
Total Nondepreciable Capital Assets	<u>58,950</u>	<u>75,263</u>	<u>(71)</u>	<u>134,142</u>
<b>Depreciable Capital Assets:</b>				
Buildings	30,637	2	-	30,639
Equipment	61,143	4,030	(1,338)	63,835
Software	3,914	876	-	4,790
Total Capital Assets being Depreciated	<u>95,694</u>	<u>4,908</u>	<u>(1,338)</u>	<u>99,264</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	12,026	560	-	12,586
Equipment	45,916	5,591	(1,333)	50,174
Software	1,397	710	-	2,107
Total Accumulated Depreciation	<u>59,339</u>	<u>6,861</u>	<u>(1,333)</u>	<u>64,867</u>
 Total Depreciable Capital Assets, Net	 <u>36,355</u>	 <u>(1,953)</u>	 <u>(5)</u>	 <u>34,397</u>
 Total Capital Assets, Net	 <u>\$ 95,305</u>	 <u>\$ 73,310</u>	 <u>\$ (76)</u>	 <u>\$ 168,539</u>

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

(Dollars in Thousands)

	Balance July 1 as restated (1)	Increases	Decreases	Subtotal June 30	Foundations (2)	Total June 30
<b>Nondepreciable Capital Assets:</b>						
Land	\$ 554,304	\$ 66,743	\$ (34,528)	\$ 586,519	\$ 289,445	\$ 875,964
Construction-in-Progress	1,502,416	966,011	(1,252,056)	1,216,371	115,599	1,331,970
Inexhaustible Works of Art/Historical Treasures	77,553	346	-	77,899	19,943	97,842
Livestock	908	104	-	1,012	2,341	3,353
Total Nondepreciable Capital Assets	<u>2,135,181</u>	<u>1,033,204</u>	<u>(1,286,584)</u>	<u>1,881,801</u>	<u>427,328</u>	<u>2,309,129</u>
<b>Depreciable Capital Assets:</b>						
Buildings	13,102,578	1,011,068	(21,767)	14,091,879	1,166,024	15,257,903
Infrastructure	2,917,859	217,304	(31)	3,135,132	6,561	3,141,693
Equipment	2,948,292	268,275	(120,859)	3,095,708	157,200	3,252,908
Improvements Other Than Buildings	472,044	21,166	(3,235)	489,975	72,827	562,802
Library Books	795,860	27,414	(10,846)	812,428	-	812,428
Software	389,705	19,174	(2,264)	406,615	-	406,615
Other Intangible Assets	2,000	-	-	2,000	-	2,000
Total Capital Assets being Depreciated	<u>20,628,338</u>	<u>1,564,401</u>	<u>(159,002)</u>	<u>22,033,737</u>	<u>1,402,612</u>	<u>23,436,349</u>
<b>Less Accumulated Depreciation for:</b>						
Buildings	3,928,154	390,257	(19,527)	4,298,884	276,084	4,574,968
Infrastructure	1,337,516	80,538	(7)	1,418,047	3,272	1,421,319
Equipment	1,915,982	235,896	(107,570)	2,044,308	97,937	2,142,245
Improvements Other Than Buildings	262,642	21,045	(2,405)	281,282	42,302	323,584
Library Books	661,089	33,333	(10,422)	684,000	-	684,000
Software	264,512	35,168	(1,394)	298,286	-	298,286
Other Intangible Assets	1,200	133	-	1,333	-	1,333
Total Accumulated Depreciation	<u>8,371,095</u>	<u>796,370</u>	<u>(141,325)</u>	<u>9,026,140</u>	<u>419,595</u>	<u>9,445,735</u>
Total Depreciable Capital Assets, Net	<u>12,257,243</u>	<u>768,031</u>	<u>(17,677)</u>	<u>13,007,597</u>	<u>983,017</u>	<u>13,990,614</u>
Total Capital Assets, Net	<u>\$ 14,392,424</u>	<u>\$ 1,801,235</u>	<u>\$ (1,304,261)</u>	<u>\$ 14,889,398</u>	<u>\$ 1,410,345</u>	<u>\$ 16,299,743</u>

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

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

### 13. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

#### Deferred Outflows

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

#### Deferred Inflows

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

## Government-wide Statements

(Dollars in Thousands)

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

## Fund Statements

(Dollars in Thousands)

	Primary Government - Governmental Funds					
	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds	Total Governmental Funds
<b>Deferred Outflows of Resources</b>						
Nonexchange Transactions Not Meeting Time Requirements	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ 33
Total Deferred Outflows of Resources	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33</u>
<b>Deferred Inflows of Resources</b>						
Revenues Considered Unavailable	\$ 877,558	\$ 52,609	\$ 77,175	\$ 18,339	\$ 34,151	\$ 1,059,832
Total Deferred Inflows of Resources	<u>\$ 877,558</u>	<u>\$ 52,609</u>	<u>\$ 77,175</u>	<u>\$ 18,339</u>	<u>\$ 34,151</u>	<u>\$ 1,059,832</u>

(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
<b>Deferred Outflows of Resources</b>						
Effective Hedges in a Loss Position	\$ -	\$ -	\$ -	\$ -	\$ 20,967	\$ 20,967
Loss on Refunding of Debt	-	108,012	41,363	10,775	124,200	284,350
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 108,012</u>	<u>\$ 41,363</u>	<u>\$ 10,775</u>	<u>\$ 145,167</u>	<u>\$ 305,317</u>
<b>Deferred Inflows of Resources</b>						
Effective Hedges in a Gain Position	\$ -	\$ -	\$ -	\$ -	\$ 4,890	\$ 4,890
Gain on Refunding of Debt	-	-	16,641	-	-	16,641
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,641</u>	<u>\$ -</u>	<u>\$ 4,890</u>	<u>\$ 21,531</u>

## 14. DERIVATIVES

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

### Primary Government

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

## Virginia College Savings Plan (VCSP)

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

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

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

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

Aggregate Credit Risk by Counterparty as of June 30, 2014			
Counterparty	Fair Value	Collateral	Credit Rating (S&P)
Bank of America, N.A.	\$ 608	\$ 711	A
Barclays Bank, PLC	95	-	A
Total	\$ 703	\$ 711	

## Virginia Retirement System

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

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

### Futures Contracts

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

### Futures Contracts as of June 30

(Dollars in Thousands)

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

### Currency Forwards

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

**Currency Forwards**  
as of June 30

(Dollars in Thousands)

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

## Options Contracts

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

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

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

## Options Contracts as of June 30

*(Dollars in Thousands)*

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalent Options:		
Call	\$ (117)	\$ (10)
Put	(23)	-
Equity Options:		
Call	-	-
Put	-	-
Fixed Income Options:		
Call	-	-
Put	-	-
Swaptions:		
Call	(110)	(2)
Put	(53)	(379)
Total Options	<u>\$ (303)</u>	<u>\$ (391)</u>

## Swap Agreements

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

**Swap Agreements**  
as of June 30

(Dollars in Thousands)

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

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

(Dollars in Thousands)

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

Continued on next page

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

(Dollars in Thousands)

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

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

## **Component Units**

### **Investment Derivative Instruments**

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

### **Hedging Derivative Instruments**

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

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

Interest rate risk is the risk that an unexpected change in interest rates will negatively affect the collective value of a hedge and a hedged item. When viewed collectively, the hedges and the hedged item are subject to interest rate risk in that a change in interest rate will impact the collective market value of both the hedge and hedged item. Conversely, the collective effect of the hedges and the hedged item serve to reduce cash flow

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

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

as of June 30, 2014 was \$120.4 million. MCVH pays a fixed rate of 3.8 percent and the counterparty pays 67.0 percent of LIBOR (0.1 percent as of June 30, 2014). The payments are settled monthly at the first of each month. In June 2013, MCVH refunded the Series 2005 and Series 2008 bonds associated with these swaps with Series 2013A and Series 2013B bonds, which also carry variable interest rates. At that time the hedging relationship between the interest rate swap agreements and the Series 2005 and 2008 bonds was terminated. The accumulated change in fair value of the interest rate swaps at the time of the refunding was negative \$42.1 million and was included in the calculation of the deferred loss on refunding. In June 2013, MCVH reestablished hedge accounting by designating the Series 2013A and 2013B bonds as hedged debt. At June 30, 2014, the negative market value of VCU's swap of \$9.2 million and MCVH's swaps of \$42.6 million are included in other liabilities in the accompanying financial statements. At June 30, 2014, the change in fair market value of VCU's swap, since reestablishing hedge accounting, of \$4.9 million is included in deferred inflows of resources in the accompanying financial statements. At June 30, 2014, the change in fair value of MCVH's swaps was \$519,918 and is included in deferred outflows of resources in the accompanying financial statements.

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

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

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

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

## 15. RETIREMENT AND PENSION SYSTEMS

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

### A. Administration

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

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

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

#### Basis of Accounting

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

earned by the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

#### **Method Used to Value Investments**

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

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

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

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

### **C. Plan Description**

#### **Retirement Plans**

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

#### **Single-employer Retirement Plans**

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

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

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

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

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

Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 to 2.0 percent instead of receiving a monthly hazardous duty supplement. VaLORS members who elected to retain the 1.7 percent multiplier are eligible for the supplement until age 65. Members of VaLORS

hired after June 20, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement.

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

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

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

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

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

#### **D. Funding Policy**

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

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

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

## E. Annual Pension Cost and Net Pension Obligation

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

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

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

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

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

These valuations were prepared using the entry age normal cost method. The actuarial assumptions

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

## F. Funded Status and Funding Progress

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

(Dollars in Millions)

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

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

### G. Defined Contribution Plan for Political Appointees

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

ended June 30, 2014, the total contributions to this plan were \$1.1 million.

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

### H. Defined Contribution Plan for Public School Superintendents

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

### I. Virginia Supplemental Retirement Plan

The Virginia Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled

teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. At June 30, 2014, there were two participants in this plan. There were no contributions to the plan for fiscal year 2014.

**J. Higher Education Fund (Nonmajor Component Unit)**

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

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

University of Virginia Medical Center (part of the University of Virginia – nonmajor) employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. This is a defined contribution plan offered through TIAA-CREF and Fidelity Investments, Inc. Under this plan, the employer contributions are 4.0 percent if hired on or after September 30, 2002, and 8.0 percent if hired prior to September 30, 2002. There are no employee contributions under this plan. During the year ended June 30, 2014, the total employer contributions to this plan were \$13.6 million. The

Medical Center also has a plan to cover their physicians who work for Community Medicine, LLC. These UVA employees participate in a Defined Contribution plan with retirement benefits based on tax-deferred accumulations. Vesting in the plan is 100.0 percent after 12 months of community service. All Community Medicine employees were hired after July 1, 2010. The current employer paid contribution is 11.9 percent of salaries paid. The total employer contributions to this plan for 2014 were \$142,491.

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

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

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

MCVAP also sponsors the VCUHS 401(a) Retirement Plan, a defined contribution plan which covers all non-medical employees of MCVAP. This plan became effective on January 1, 2002, and

replaced the MCVAP 403(b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2014, were approximately \$3.6 million.

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

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

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

The Center for Innovative Technology (CIT) is a blended component unit of the Innovation and Entrepreneurship Investment Authority (nonmajor).

The CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Contributions for the plan totaled \$662,369 in fiscal year 2014.

#### **K. Other Component Units**

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

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

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

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

The components of annual pension cost and prepaid pension obligation for the first single-

employer noncontributory defined benefit pension plan are as follows:

**Trend Information**

*(Dollars in Thousands)*

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

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

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

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

**Trend Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

## 16. OTHER EMPLOYMENT BENEFITS

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

### Group Life Insurance

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

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

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest \$1,000, up to

a maximum of \$700,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for \$10,000, \$20,000 or \$30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 67,731 members were covered under this program at June 30, 2014.

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

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

### Virginia Sickness and Disability Program

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

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

Full-time permanent salaried state employees, including state police officers and other Virginia law and correctional officers, are automatically enrolled in the VSDP. Part-time permanent salaried state employees who work at least 20 hours a week and accrue leave also are automatically enrolled. Teaching, administrative and research faculty of Virginia public

colleges and universities who elect VRS as their retirement plan must make an irrevocable election to participate in either the VSDP or the institution's disability program. If there is no institution program, the faculty member is covered under VSDP.

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

#### **Volunteer Firefighters' and Rescue Squad Workers' Fund**

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

#### **Group Life Insurance Benefits**

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

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

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

#### **Retiree Health Insurance Credit Program**

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

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

### **17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

#### **A. Virginia Retirement System (The System) Administered Plans**

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

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

#### **Disability Insurance Trust Fund**

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

#### **Line of Duty Death and Disability**

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

#### **Virginia Local Disability Program**

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

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

#### **B. Pre-Medicare Retiree Healthcare**

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

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

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

#### **C. Annual OPEB Cost and Net OPEB Obligation**

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

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

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

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

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

- (1) During fiscal year 2012, the required annual contributions of \$2.9 million were paid by the Commonwealth. Additionally, the loan increased to \$13.9 million that will be repaid in future periods with contributions received.
- (2) During fiscal year 2013, the required annual contributions of \$5.9 million were paid by the Commonwealth. Additionally, the loan increased to \$14.9 million that will be repaid in future periods with contributions received.
- (3) During fiscal year 2014, the required annual contributions of \$6.5 million were paid by the Commonwealth. Additionally, the loan decreased to \$8.3 million that will be repaid in future periods with contributions received. This amount is reflected as both a receivable and a contribution in the accompanying statements.

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

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2011, as that is the most recent report that reflects the current funding policies. Employer contributions by the Commonwealth for Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance were 1.2 percent, 1.0 percent, and 0.5 percent, respectively, of covered payrolls for fiscal year 2014. The valuations were prepared using the entry age normal cost method for all plans except for the Disability Insurance trust fund and the Line of Duty Act trust fund for which the Projected Unit Credit actuarial cost method was used. The Pre-Medicare Retiree Healthcare plan uses a 4.0 percent investment rate of return, per year compounded annually, which approximates the projected rate of return on the State Treasurer's Portfolio. The Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance use a 7.0

percent investment rate of return, per year compounded annually. The Line of Duty Act trust fund uses a 4.8 percent rate of return compounded annually. The actuarial assumptions for all but the Pre-Medicare Retiree Healthcare plan included a projected salary increase of 3.0 percent, including a 2.5 percent inflation component. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five year period. The remaining open amortization period at the June 30, 2012 valuation, was 29 years. The actuarial assumptions for the Pre-Medicare Retiree Healthcare plan as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate include (a) projected salary increases ranging from 3.8 percent to 5.6 percent, including a 2.5 percent inflation component; and, (b) assumption that there is no liability associated with those retirees eligible for Medicare, as costs for members aged 65 and older are not subsidized by the active population (no implicit subsidy), participants pay 100.0 percent of the costs, and the liability associated with the health insurance credit is measured and held by the Virginia Retirement System. Initial healthcare costs trend rates used were 10.0 percent, 11.0 percent, and 6.0 percent for medical, pharmacy, and dental benefits, respectively. The ultimate trend rates used were 5.0 percent, 5.0 percent, and 4.0 percent for medical, pharmacy, and dental benefits, respectively. The remaining open amortization period at June 30, 2012 was 30 years.

#### D. Funded Status and Funding Progress

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

(Dollars in Millions)

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

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

#### **E. Higher Education Fund (Component Unit)**

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

#### **F. Other Component Units**

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

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

annual covered payroll. For 2014, the Commission's annual OPEB cost was \$2.2 million; the percentage of annual OPEB cost contributed was 100.0 percent.

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

### **18. DEFERRED COMPENSATION PLANS**

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

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

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's

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

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

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

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

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

The third deferred compensation plan and second matching savings plan covers substantially all non-union employees with 90 days or more of service. The

matching savings plan requires the VPA to match employee contributions in an amount equal to half of the first 3.0 percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was \$287,325 for the fiscal year ended June 30, 2014.

## 19. STATE NON-ARBITRAGE POOL

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

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

## 20. COMMITMENTS

### A. Construction Projects

#### Primary Government

#### Highway Projects

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

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

invoices will require a future event to occur to make payment probable.

### Mass Transit Projects

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

### Wastewater Treatment Projects

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

### Other Construction Projects

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

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

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

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

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

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

### Component Units

#### Port Projects

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

### Wallops Island Project

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

### Treatment Plant

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

### Higher Education Institutions

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

## B. Operating Leases

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

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

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

**Foundations (2)**

2015	\$	3,268
2016		2,438
2017		2,139
2018		1,493
2019		1,216
Thereafter		3,664
Total	\$	<u>14,218</u>

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

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

**C. Investment Commitments – Virginia Retirement System**

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

**D. Virginia Transportation Infrastructure Bank**

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

The Bank has established a revolving line of credit for the benefit of the Route 460 Funding Corporation of Virginia (Corporation) (nonmajor enterprise fund) and the trustee not to exceed \$80.0 million at 3.3 percent. Amounts issued under this line of credit will be designated as Toll Road Junior Lien Revenue Bond Series 2012C. In the event of issue, the Series 2012C bond is a Junior Lien Bond within the meaning of the Master Indenture and payable from and secured by the Trust Estate in accordance with the terms of the Master Indenture and the Second Supplemental Indenture. It will be paid from the Junior Lien Bond Fund. In the event the Series 2012C bonds are issued, the bonds are junior to any Senior Lien bonds and any subordinate lien bonds including without limitation, the Corporation's Toll Road Senior Lien Revenue Bonds, Series 2012A and Series 2012B. The term of the line of credit commenced on the date the series 2012A and 2012B bonds were issued, December 20, 2012. The term will continue until the earliest of the repayment or defeasance of the Series 2012A and 2012B bonds, the provisions for release as set forth in the Master Indenture, the Comprehensive Agreement or otherwise have been satisfied in full

and the 35<sup>th</sup> anniversary of the substantial completion date. In no event will the term end any later than 40 years from the date of the issuance of the Series 2012A and Series 2012B bonds. The Corporation has no outstanding amounts under this line of credit as of June 30, 2014.

**E. Tobacco Grants**

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

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

**F. Other Commitments**

**Primary Government**

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

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

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

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

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

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

## Component Units

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

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

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

within one year consist of an estimate of the amount that will be used by active employees for paid time off and/or paid upon termination, plus the actual amount paid after June 30 for employees terminating on or before June 30. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for separations that occurred on or before June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Position (see Note 26). All amounts related to the fiduciary funds are recognized in those funds.

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

## 21. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

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

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

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated vacation, compensatory, overtime, recognition, and sick leave payable upon termination is included in the accompanying financial statements and is reported as Compensated Absences. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, compensated absence amounts are segregated into two components – the amount due within one year and the amount due in more than one year. Compensated absences due

## 22. POLLUTION REMEDIATION OBLIGATIONS

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

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

Agencies involved in remediation include:

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

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

formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies.

The following pollution remediation outlays could not reasonably be estimated as of June 30, 2014:

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

## 23. INSURANCE

### A. Self-Insurance

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

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

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

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management Internal Service Fund. The Department of the Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self-insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. At

June 30, 2014, \$624.6 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 3.0 percent. Undiscounted claims payable at June 30, 2014, is \$921.2 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

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

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

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

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

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

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

#### Estimated Malpractice Losses

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

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

#### Estimated Workers' Compensation Losses

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

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

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

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

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

## B. Public Entity Risk Pools

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

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

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

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

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

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

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

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

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

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

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

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

## 24. ACCOUNTS PAYABLE

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

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

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

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

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

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

## 25. OTHER LIABILITIES

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

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

**Primary Government**

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

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

**Primary Government**

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

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

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

**Component Units**

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

## Medicaid Payable

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

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

## Family Access to Medical Insurance Security Payable

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

## Tax Refunds Payable

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

## Car Tax Refund Payable

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

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

## Termination Benefits

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

## Short-term Debt

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

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

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

## 26. LONG-TERM LIABILITIES

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

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

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

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

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

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

<b>Total Long-term Liabilities</b>		
June 30, 2014		
<i>(Dollars in Thousands)</i>	<b>Balance At June 30</b>	<b>Amount Due Within One Year</b>
<b>Primary Government:</b>		
Governmental Activities: (1)		
<b>General Obligation Bonds: (2)</b>		
9(b) Public Facilities (3)	\$ 706,192	\$ 67,225
9(c) Parking Facilities (3)	17,045	848
9(c) Transportation Facilities (3)	19,632	2,405
Total General Obligation Bonds	<u>742,869</u>	<u>70,478</u>
<b>Nongeneral Obligation Bonds - 9(d):</b>		
Transportation Debt (3) (4)	3,181,100	170,360
Virginia Public Building Authority (3)	2,374,835	182,730
Total Nongeneral Obligation Bonds	<u>5,555,935</u>	<u>353,090</u>
<b>Other Long-term Obligations:</b>		
Pension Liability	2,114,803	-
OPEB Liability	568,764	-
Compensated Absences	321,520	165,046
Capital Lease Obligations	60,916	11,822
Pollution Remediation Obligations	13,186	2,079
Notes Payable	529	222
Installment Purchase Obligations	113,936	10,901
Economic Development Authority Obligations (3)	57,621	5,425
Other Liabilities	36,632	5,000
Total Other Long-term Obligations	<u>3,287,907</u>	<u>200,495</u>
Total Governmental Activities (3)	<u>9,586,711</u>	<u>624,063</u>
Business-type Activities: (1) (5)		
<b>Nongeneral Obligation Bonds - 9(d):</b>		
Route 460 Funding Corporation of Virginia Bonds	317,305	-
<b>Other Long-term Obligations:</b>		
Pension Liability	57,400	-
OPEB Liability	18,709	-
Compensated Absences	10,102	5,398
Capital Lease Obligations	6,072	364
Tuition Benefits Payable	2,140,430	224,344
Lottery Prizes Payable	152,693	23,317
Total Other Long-term Obligations	<u>2,385,406</u>	<u>253,423</u>
Total Business-type Activities	<u>2,702,711</u>	<u>253,423</u>
<b>Total Primary Government</b>	<u>12,289,422</u>	<u>877,486</u>

**Total Long-term Liabilities**

June 30, 2014

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

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

**Primary Government**

**Transportation Facilities Debt**

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

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

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

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

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

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

**Fairfax Economic Development Authority Obligations**

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

**FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY  
Debt Service Requirements to Maturity**

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

## Route 460 Funding Corporation of Virginia Debt

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

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

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

## Public Facilities Bonds

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

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

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

## Parking Facilities Bonds

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

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

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

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

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

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

**Virginia Public Building Authority**

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

**Component Units**

**Higher Education Institution Bonds**

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

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

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

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$343.9 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2009F and 2010B 21<sup>st</sup> Century Virginia College Building Authority Education Facilities Bonds, and the University of Virginia's Series 2009 and 2010 General Revenue Bonds.

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

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

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

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

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

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

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

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

FOUNDATIONS' BONDS (1)  
Debt Service Requirements to Maturity

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

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

Virginia Port Authority

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

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

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

## Virginia Housing Development Authority

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

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

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

## Virginia Resources Authority

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

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

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

## Virginia Public School Authority

The Virginia Public School Authority (VPSA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.0 percent to 5.5 percent, and the origination dates range from December 21, 2001, to May 15, 2014. The following schedule details the annual funding requirements necessary to amortize

these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$198.3 million for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1, 2011-1, 2011-2, and 2012-1 Revenue Bonds.

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

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

## Hampton Roads Sanitation District Commission

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

HAMPTON ROADS SANITATION DISTRICT COMMISSION  
Debt Service Requirements to Maturity

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

**Virginia Biotechnology Research Partnership Authority**

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

**VIRGINIA BIOTECH RESEARCH PARTNERSHIP AUTHORITY  
Debt Service Requirements to Maturity**

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

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

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

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

(Dollars in Thousands)

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

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

*Continued on next page*

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

*(continued)*

*(Dollars in Thousands)*

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

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

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

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

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

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

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

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

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

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

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

## Bond and Note Defeasance

### Primary Government

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

In March 2014, Virginia Department of Transportation and Fairfax County Economic Development Authority issued \$55.9 million in Camp 30 Commonwealth of Virginia Lease Revenue Refunding Bonds Series 2014 with a varying interest rate of 1.0 to 5.0 percent. The bonds that were refunded include \$61.5 million of Series 2006A. The net proceeds from the sale of the Refunding bonds of \$82.5 million were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the Refunded Bonds and to

pay the costs related to issuance and refunding. As a result, the Refunded Bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$7.7 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments will be reduced by \$12.8 million resulting in and economic gain of \$7.9 million.

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

### Component Units

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

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

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

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

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

### Arbitrage Rebate

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

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

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

College Building Authority 21<sup>st</sup> Century or Pooled Bond Programs, Virginia Public School Authority, or the Commonwealth Transportation Board.

### Capital Leases

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

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

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

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

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

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

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

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

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

## Notes Payable

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

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

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

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

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

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

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

Foundations' Notes Payable (Component Units) (1)	
Maturity	Principal
2015	\$ 14,627
2016	70,864
2017	89,274
2018	19,783
2019	3,260
Thereafter	67,353
Total	<b>\$ 265,161</b>

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

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

**Installment Purchase Obligations - Governmental Funds**  
June 30, 2014

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

**Installment Purchase Obligations - Component Units**

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

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

**Lottery Prizes Payable**

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

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

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

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

**Tuition Benefits Payable**

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

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

## 27. OTHER REVENUE

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

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

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

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

## 28. PRIZES AND CLAIMS

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

*(Dollars in Thousands)*

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

## 29. OTHER EXPENSES

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

*(Dollars in Thousands)*

	<u>Grants and Distributions To Localities</u>	<u>Expendable Equipment/ Improvements</u>	<u>Other (1)</u>	<u>Total Other Expenses</u>
<b>Proprietary Funds:</b>				
Major Enterprise Funds:				
Virginia College Savings Plan	\$ -	\$ 427	\$ 2,146	\$ 2,573
Nonmajor Enterprise Funds	91	2,332	976	3,399
Total Enterprise Funds	<u>\$ 91</u>	<u>\$ 2,759</u>	<u>\$ 3,122</u>	<u>\$ 5,972</u>
Internal Service Funds	<u>\$ 1,551</u>	<u>\$ 2,035</u>	<u>\$ 8,532</u>	<u>\$ 12,118</u>
Pension and Other Employee Benefit Trust (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,047</u>	<u>\$ 9,047</u>

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

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

### 30. OTHER NON-OPERATING REVENUE/EXPENSES

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

*(Dollars in Thousands)*

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

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

### 31. SPECIAL ITEM

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

### 32. TRANSFERS

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

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

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

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

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

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

### 33. ON-BEHALF PAYMENTS

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

### 34. ENDOWMENTS

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

### 35. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

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

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

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

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

### 36. TOBACCO SETTLEMENT AND SECURITIZATION

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

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

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

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

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

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

sufficient funds to repay the bond obligations issued by the Corporation.

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

### 37. SERVICE CONCESSION ARRANGEMENTS

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

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

#### Pocahontas 895

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

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

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

### **495 Express Lanes**

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

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

### **Elizabeth River – Midtown Tunnel**

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

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

### **95 Express Lanes**

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

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

## **38. INFORMATION TECHNOLOGY INFRASTRUCTURE PARTNERSHIP – NORTHROP GRUMMAN**

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

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

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

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

conclusion of the CIA term, the Commonwealth could incur significant costs to obtain and transition the IT infrastructure necessary to continue the Commonwealth's operations.

### **39. CONTINGENCIES**

#### **A. Grants and Contracts**

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

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

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

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

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

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

#### **B. Litigation**

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

#### **C. Subject to Appropriation**

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

#### **D. Bailment Inventory**

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

#### **E. Route 460 Funding Corporation of Virginia**

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

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

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

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

#### **F. Loan Guarantees**

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

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

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

#### **G. Regional Wet Weather Management Plan**

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

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

## H. Virginia Horse Center Foundation Going Concern

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

with VRA in the amount of \$57.4 million. The prepayment was August 22, 2014. The local obligation was funded from bond proceeds from the Series 2004B, Series 2005C, Series 2006C and Series 2007B bonds. It is VRA's intention to defease the related bonds with the prepayment proceeds.

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

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

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

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

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

## 40. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

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

## 41. SUBSEQUENT EVENTS

### Primary Government

#### Debt

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

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

#### Component Units

#### Debt

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

Subsequent to June 30, 2014, the Virginia Resources Authority (VRA) (major) issued bonds in the amount of \$134.5 million, dated August 13, 2014. The interest rates range from 1.3 percent to 5.0 percent with a final due date of November 1, 2038. Subsequent to June 30, 2014, a local borrower prepaid an outstanding obligation

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

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

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

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

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

#### **Other**

Subsequent to June 30, 2014, the Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority (VPA) – nonmajor) and Hampton Roads Chassis Pool II (HRCP II) amended their respective operating agreements to incorporate relevant changes as a result of VIT's conversion from a nonstock, not-for-profit corporation to a single-member limited liability company, and to incorporate relevant changes related to VIT's and VPA's amended service agreement, dated August 8, 2014. In August 2014, a partnership comprising affiliates of investment funds managed by Alinda Capital Partners and Universities

Superannuation Scheme Limited purchased the APM Terminal (APMT). VPA continues to operate the terminal under the original 20-year lease agreement with APMT. APMT has been renamed to Virginia International Gateway (VIG). In October 2014, Portsmouth Marine Terminal was officially opened and received its first vessel ship. Annual volume is expected to be approximately 75,000 to 100,000 containers and will help alleviate container congestion at Norfolk International Terminal and VIG.

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

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



## 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, 2014  
(Dollars in Thousands)

	General Fund			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Individual and Fiduciary Income	\$ 11,624,600	\$ 11,669,100	\$ 11,253,348	\$ (415,752)
Sales and Use	3,532,965	3,414,100	3,400,486	(13,614)
Corporation Income	839,800	769,900	757,491	(12,409)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	440,000	440,000	422,823	(17,177)
Deeds, Contracts, Wills, and Suits	345,695	386,800	318,998	(67,802)
Premiums of Insurance Companies	280,700	289,400	320,421	31,021
Alcoholic Beverage Sales	194,000	196,800	199,225	2,425
Tobacco Products	183,200	183,500	180,626	(2,874)
Estate	-	-	196	196
Public Service Corporations	95,300	97,700	98,156	456
Other Taxes	18,305	19,705	28,760	9,055
Rights and Privileges	79,364	89,910	79,085	(10,825)
Sales of Property and Commodities	12,020	3,597	30,682	27,085
Assessments and Receipts for Support of Special Services	655	900	931	31
Institutional Revenue	42,761	41,485	36,143	(5,342)
Interest, Dividends, and Rents	65,264	50,572	78,333	27,761
Fines, Forfeitures, Court Fees, Penalties, and Escheats	215,650	213,345	211,512	(1,833)
Federal Grants and Contracts	9,453	9,457	9,454	(3)
Receipts from Cities, Counties, and Towns	10,017	9,232	16,318	7,086
Private Donations, Gifts and Contracts	708	486	438	(48)
Tobacco Master Settlement	50,337	49,727	48,693	(1,034)
Other	164,472	200,442	190,636	(9,806)
<b>Total Revenues</b>	<b>18,205,266</b>	<b>18,136,158</b>	<b>17,682,755</b>	<b>(453,403)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	2,464,104	2,272,147	2,215,179	56,968
Education	7,711,835	7,823,406	7,755,863	67,543
Transportation	1,030	1,312	773	539
Resources and Economic Development	381,735	460,327	406,052	54,275
Individual and Family Services	5,641,008	5,655,699	5,525,897	129,802
Administration of Justice	2,422,963	2,531,750	2,519,888	11,862
Capital Outlay	43,316	32,047	10,663	21,384
<b>Total Expenditures</b>	<b>18,665,991</b>	<b>18,776,688</b>	<b>18,434,315</b>	<b>342,373</b>
Revenues Over (Under) Expenditures	(460,725)	(640,530)	(751,560)	(111,030)
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	680,677	745,413	770,542	25,129
Transfers Out	(474,798)	(473,579)	(490,310)	(16,731)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	205,879	271,834	280,232	8,398
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(254,846)	(368,696)	(471,328)	(102,632)
<b>Fund Balance, July 1, as restated</b>	<b>1,820,629</b>	<b>1,820,629</b>	<b>1,820,629</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 1,565,783</b>	<b>\$ 1,451,933</b>	<b>\$ 1,349,301</b>	<b>\$ (102,632)</b>

See notes on page 181 in this section.

**Special Revenue Funds**

**Commonwealth Transportation Fund**

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final/Actual Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
1,103,829	1,288,970	1,111,929	(177,041)
-	-	-	-
1,099,053	703,025	790,053	87,028
647,672	832,915	780,807	(52,108)
-	-	-	-
74,000	79,000	75,349	(3,651)
131,000	131,000	130,769	(231)
-	-	-	-
-	-	-	-
-	-	-	-
67,692	65,452	56,343	(9,109)
545,670	610,845	547,462	(63,383)
-	-	6,765	6,765
17,859	17,169	19,190	2,021
-	-	-	-
10,250	11,486	18,565	7,079
11,247	10,971	11,158	187
929,090	1,278,249	1,329,027	50,778
189,280	181,115	73,183	(107,932)
-	25	9,888	9,863
-	-	-	-
26,204	33,119	13,021	(20,098)
4,852,846	5,243,341	4,973,509	(269,832)
83,511	87,575	84,285	3,290
2,417	2,417	1,954	463
4,319,509	5,790,601	5,041,733	748,868
14,042	12,833	12,479	354
-	-	-	-
9,767	9,767	9,767	-
24,836	46,288	11,016	35,272
4,454,082	5,949,481	5,161,234	788,247
398,764	(706,140)	(187,725)	518,415
61,029	61,029	101,497	40,468
(337,490)	(342,223)	(365,458)	(23,235)
273,390	273,390	273,390	-
34,488	34,488	34,488	-
31,417	26,684	43,917	17,233
430,181	(679,456)	(143,808)	535,648
2,378,740	2,378,740	2,378,740	-
\$ 2,808,921	\$ 1,699,284	\$ 2,234,932	\$ 535,648

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, 2014  
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Estate	-	-	-	-
Public Service Corporations	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	-	-	-	-
Sales of Property and Commodities	310	766	296	(470)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	1,122	361	676	315
Fines, Forfeitures, Court Fees, Penalties, and Escheats	1,198	71,779	94,072	22,293
Federal Grants and Contracts	7,189,709	7,394,840	8,409,957	1,015,117
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	23,367	156,177	141,021	(15,156)
<b>Total Revenues</b>	<b>7,215,706</b>	<b>7,623,923</b>	<b>8,646,022</b>	<b>1,022,099</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	137,368	160,361	148,319	12,042
Education	931,797	991,857	1,009,678	(17,821)
Transportation	34,917	31,195	16,396	14,799
Resources and Economic Development	163,336	194,906	171,839	23,067
Individual and Family Services	5,871,765	6,078,607	7,183,452	(1,104,845)
Administration of Justice	54,827	132,958	95,519	37,439
Capital Outlay	21,696	26,173	8,612	17,561
<b>Total Expenditures</b>	<b>7,215,706</b>	<b>7,616,057</b>	<b>8,633,815</b>	<b>(1,017,758)</b>
Revenues Over (Under) Expenditures	-	7,866	12,207	4,341
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	-	-	13,546	13,546
Transfers Out	-	(7,866)	(25,753)	(17,887)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	-	(7,866)	(12,207)	(4,341)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
<b>Fund Balance, July 1, as restated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See notes on page 181 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, 2014, to the fund balance on a modified accrual basis follows.

<b>Fund Balance Comparison</b>			
<b>Budgetary Basis to GAAP Basis</b>			
<i>(Dollars in Thousands)</i>			
	<b>General Fund</b>	<b>Commonwealth Transportation Fund</b>	<b>Federal Trust Fund</b>
Fund Balance, Basis of Budgeting	\$ 1,349,301	\$ 2,234,932	\$ -
Adjustments from Budget to Modified Accrual:			
Accrued Revenues:			
Taxes	772,141	159,666	-
Tax Refunds	(390,683)	-	-
Other Revenue/Other Sources	90,216	72,193	589,889
Unearned Taxes (2)	(101,613)	-	-
Medicaid Payable	(312,609)	-	(323,011)
Accrued Expenditures/Other Uses	(777,116)	(202,047)	(131,616)
Fund Balance, Modified Accrual Basis	<u>\$ 629,637</u>	<u>\$ 2,264,744</u>	<u>\$ 135,262</u>

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

**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, 2014, except the Literary Fund which has no approved budget.

<i>(Dollars in Thousands)</i>			
	<b>General Fund (9)</b>	<b>Commonwealth Transportation Fund</b>	<b>Federal Trust Fund (10)</b>
Appropriations (1)	\$ 18,665,991	\$ 4,454,082	\$ 7,215,706
Supplemental Appropriations:			
Reappropriations (2)	206,396	36,378	25,979
Subsequent Executive (3)	127,307	807,926	406,157
Subsequent Legislative (4)	(113,345)	671,855	(836)
Capital Outlay and Operating Reversions (5)	(770)	-	(1)
Transfers (6)	(25,444)	(921)	(9,446)
Capital Outlay Adjustment (7)	(83,447)	(14,925)	(21,502)
Debt Service Adjustment (8)	-	(4,914)	-
Appropriations, as adjusted	<u>\$ 18,776,688</u>	<u>\$ 5,949,481</u>	<u>\$ 7,616,057</u>

1. Represents the budget appropriated through Chapter 806, 2013 Acts of Assembly, as amended by Chapter 1, 2014 Special Session I, Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.6 billion (General Fund) and \$3.5 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. The Commonwealth Transportation Fund appropriations have been adjusted for debt service.
9. Budgetary reductions totaling \$21.6 million are excluded since they were not available for disbursement during the current fiscal year.
10. Appropriations do not include food stamp issuances of \$1.4 billion since this is a noncash item; however, this amount is included in actual expenditures.

## Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Virginia Retirement System (VRS)</b>						
2013	\$ 52,125	\$ 79,078	\$ 26,953	65.9%	\$ 15,269	176.5%
2012	51,212	77,859	26,647	65.8%	14,880	179.1%
2011	52,559	75,185	22,626	69.9%	14,709	153.8%
2010	52,729	72,801	20,072	72.4%	14,758	136.0%
* 2009	53,185	66,323	13,138	80.2%	14,948	87.9%
2008	52,548	62,554	10,006	84.0%	14,559	68.7%
2007	47,815	58,116	10,301	82.3%	13,834	74.5%
2006	42,669	52,822	10,153	80.8%	13,002	78.1%
* 2005	40,372	49,628	9,256	81.3%	12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
<b>State Police Officers' Retirement System (SPORS)</b>						
2013	\$ 592	\$ 997	\$ 405	59.4%	\$ 109	371.6%
2012	587	1,013	426	57.9%	104	409.0%
2011	617	986	369	62.6%	100	370.3%
2010	634	949	315	66.8%	98	321.4%
* 2009	647	879	232	73.6%	101	229.7%
2008	646	844	198	76.5%	103	192.2%
2007	595	806	211	73.8%	101	208.9%
2006	539	730	191	73.8%	94	203.2%
* 2005	514	673	159	76.4%	91	174.7%
2004	510	656	146	77.7%	82	178.0%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>						
2013	\$ 942	\$ 1,742	\$ 800	54.1%	\$ 342	233.9%
2012	909	1,753	844	51.9%	345	244.8%
2011	926	1,683	757	55.0%	356	212.5%
2010	925	1,579	654	58.6%	346	189.0%
* 2009	913	1,412	499	64.7%	359	139.0%
2008	873	1,281	408	68.1%	368	110.9%
2007	766	1,166	400	65.7%	341	117.3%
2006	656	1,096	440	59.9%	321	137.1%
* 2005	575	980	405	58.7%	307	131.9%
2004	509	927	418	54.9%	298	140.3%
<b>Judicial Retirement System (JRS)</b>						
2013	\$ 369	\$ 591	\$ 222	62.4%	\$ 57	389.5%
2012	361	582	221	62.0%	57	388.6%
2011	371	569	198	65.2%	59	336.8%
2010	372	560	188	66.4%	61	308.2%
* 2009	378	521	143	72.6%	63	227.0%
2008	374	495	121	75.6%	61	198.4%
2007	340	442	102	76.9%	58	175.9%
2006	302	424	122	71.2%	54	225.9%
* 2005	288	402	114	71.6%	52	219.2%
2004	285	366	81	77.9%	48	168.8%

\* Revised economic and demographic assumptions due to experience study.

See Notes on following page.

**Notes for Funding Progress for Defined Benefit Pension Plans**

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Valuation Date:		June 30, 2013
Actuarial Cost Method:		Entry Age Normal
Amortization Method:		
State Employees		Level percent, open
Teachers		Level percent, open
Political Subdivision Employees		Level percent, open
State Police/VA Law Officers/Judges		Level percent, open
Payroll Growth Rate:		
State Employees		3.0%
Teachers		3.0%
Political Subdivision Employees		3.0%
State Police/VA Law Officers/Judges		3.0%
Remaining Amortization Period:		
State Employees		8 and 28 years
Teachers		8 and 28 years
Political Subdivision Employees		28 years
State Police/VA Law Officers/Judges		8 and 28 years
Asset Valuation Method:		5 year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return (1)		7.0%
Projected Salary Increases (1)		
State Employees		3.5% to 5.4%
Teachers		3.5% to 6.0%
Political Subdivision Employees (Non-Hazardous Duty Employees)		3.5% to 5.4%
Political Subdivision Employees (Hazardous Duty Employees)		3.5% to 4.8%
State Police/VA Law Officers Judges		3.5% to 4.8% 4.5%
Cost of Living Adjustments	Plan 1	2.5%
	Plan 2	2.3%
(1) Includes inflation at 2.50%.		

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

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Statutory Required Contribution</u>	<u>Percentage Contributed</u>
<b>Virginia Retirement System (VRS)</b>				
2014	\$ 2,282,942	75.8%	\$ 1,730,116	100.0%
2013	2,227,090	75.8%	1,687,865	100.0%
2012	1,614,464	59.6%	961,653	100.0%
2011	1,577,131	46.7%	736,950	100.0%
2010	1,489,124	66.6%	991,334	100.0%
2009	1,501,018	81.3%	1,219,645	100.0%
2008	1,378,993	92.6%	1,276,645	100.0%
2007	1,299,606	85.9%	1,116,217	100.0%
2006	864,245	89.5%	773,553	100.0%
2005	810,944	85.3%	691,415	100.0%
<b>State Police Officers' Retirement System (SPORS)</b>				
2014	\$ 36,538	75.8%	\$ 27,711	100.0%
2013	34,535	75.8%	26,193	100.0%
2012	26,250	43.6%	11,441	100.0%
2011	24,570	30.4%	7,460	100.0%
2010	23,791	66.1%	15,714	100.0%
2009	24,241	83.2%	20,175	100.0%
2008	22,941	91.5%	20,989	100.0%
2007	19,402	84.3%	16,358	100.0%
2006	23,132	66.0%	15,258	100.0%
2005	21,946	66.0%	14,475	100.0%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>				
2014	\$ 68,806	75.8%	\$ 52,169	100.0%
2013	66,463	75.8%	50,392	100.0%
2012	55,306	44.3%	24,481	100.0%
2011	53,686	32.1%	17,255	100.0%
2010	57,894	67.4%	39,027	100.0%
2009	60,059	84.8%	50,932	100.0%
2008	61,325	91.2%	55,929	100.0%
2007	56,190	86.0%	48,338	100.0%
2006	77,414	68.0%	52,611	100.0%
2005	74,301	68.0%	50,495	100.0%
<b>Judicial Retirement System (JRS)</b>				
2014	\$ 33,018	84.0%	\$ 27,727	100.0%
2013	32,185	84.0%	27,028	100.0%
2012	27,631	68.4%	18,907	100.0%
2011	28,101	61.6%	17,303	100.0%
2010	23,638	72.2%	17,065	100.0%
2009	23,148	90.7%	21,000	100.0%
2008	23,599	94.9%	22,386	100.0%
2007	22,557	91.0%	20,530	100.0%
2006	23,871	67.9%	16,206	100.0%
2005	22,490	67.9%	15,269	100.0%

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

## Funding Progress for Other Postemployment Benefit Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Group Life Insurance Fund</b>						
2013	\$ 837	\$ 2,572	\$ 1,735	32.5%	\$ 17,132	10.1%
2012	756	2,458	1,702	30.7%	16,697	10.2%
2011	852	2,359	1,507	36.1%	16,543	9.1%
2010	929	2,245	1,316	41.4%	16,526	8.0%
2009	967	1,995	1,028	48.5%	16,728	6.1%
2008	975	1,772	797	55.0%	16,267	4.9%
2007	880	1,552	672	56.7%	14,822	4.5%
2006 (1)	751	1,436	685	52.3%	13,923	4.9%
<b>Retiree Health Insurance Credit Fund</b>						
2013	\$ 139	\$ 2,273	\$ 2,134	6.1%	\$ 14,688	14.5%
2012	130	2,258	2,128	5.8%	14,211	15.0%
2011	213	2,195	1,982	9.7%	14,111	14.0%
2010 (2)	281	2,162	1,881	13.0%	14,220	13.2%
2009 (2)	296	2,007	1,711	14.8%	14,339	11.9%
2008 (2)	264	1,943	1,679	13.6%	13,686	12.3%
2007 (2)	207	1,883	1,676	11.0%	11,935	14.0%
<b>Disability Insurance Trust Fund</b>						
2013	\$ 359	\$ 228	\$ (131)	157.4%	\$ 3,473	(3.8%)
2012	344	303	(41)	113.7%	3,433	(1.2%)
2011	369	296	(73)	124.6%	3,372	(2.2%)
2010 (3)	336	311	(25)	108.0%	3,168	(0.8%)
2009 (3)	290	291	1	99.7%	4,080	-
2008 (3)	313	392	79	79.9%	4,111	1.9%
2007	264	451	187	58.5%	3,909	4.8%
2006 (1)	192	423	231	45.4%	3,716	6.2%
<b>Line of Duty Death and Disability (2)</b>						
2013	\$ 10	\$ 204	\$ 194	4.9%	N/A	-
2012	6	226	220	2.7%	N/A	-
2011	-	399	399	-	N/A	-
2010 (4)	-	576	576	-	N/A	-
2009	-	373	373	-	N/A	-
2008	3	185	182	1.6%	N/A	-
2007	-	146	146	-	N/A	-
2006 (1)	-	99	99	-	N/A	-
<b>Pre-Medicare Retiree Healthcare</b>						
2013	\$ -	\$ 1,262	\$ 1,262	-	\$ 3,857	32.7%
2012	-	1,351	1,351	-	3,709	36.4%
2011	-	1,269	1,269	-	3,566	35.6%
2010 (3)	-	1,298	1,298	-	3,297	39.4%
2009	-	1,218	1,218	-	3,170	38.4%
2007 (5)	-	982	982	-	2,931	33.5%

- (1) 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43.
- (2) Data for 2007-2010 has been restated to include the state-funded Retiree Health Insurance Credit benefit for local employees. Similar information for 2006 was not available so that year has been excluded.
- (3) Data for 2008-2010 has been restated to include state-funded Long-Term Care program. Prior years were funded by premiums paid to insurance carrier and the insurance carrier was responsible for the liability.
- (4) Contributions into the Line of Duty Act Trust Fund are based on the number of participants in the program using a per capita based contribution versus a payroll based contribution.
- (5) 2007 was the first actuarial valuation prepared for Pre-Medicare Retiree Healthcare.

See Notes on following page.

**Notes for Funding Progress for Other Postemployment Benefit Plans**

	<b>Group Life Insurance Fund</b>	<b>Retiree Health Insurance Credit Fund</b>	<b>Disability Insurance Trust Fund</b>	<b>Line of Duty Death and Disability</b>	<b>Pre-Medicare Retiree Healthcare</b>
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013	July 01, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level dollar, Open
Payroll Growth Rate:					
State Employees	3.0%	3.0%	3.0%	3.0%	3.0%
Teachers	3.0%	3.0%	N/A	N/A	N/A
Political Subdivision Employees	3.0%	3.0%	N/A	3.0%	N/A
State Police / Virginia Law Officers	3.0%	3.0%	3.0%	3.0%	3.0%
Judges	3.0%	3.0%	N/A	N/A	N/A
Remaining Amortization Period	30 years	30 years	30 years	3 and 30 years	30 years
Asset Valuation Method					
State Employees and Teachers	5-Year, Smoothed Market	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value	Market Value
Political Subdivision Employees and State-Funded Local Employees	5-Year, Smoothed Market	Market Value	N/A	Market Value	Market Value
Actuarial Assumptions:					
Investment Rate of Return (1)	7.0%	7.0%	7.0%	4.3% and 7.0%	4.0%
Projected Salary Increases (1)					
State Employees	3.5% to 5.4%	3.5% to 5.4%	3.5% to 5.4%	N/A	4.0%
Teachers	3.5% to 6.0%	3.5% to 6.0%	N/A	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	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.5% to 4.8%	3.5% to 4.8%	N/A	N/A	N/A
State Police / Virginia Law Officers	3.5% to 4.8%	3.5% to 4.8%	3.5% to 4.8%	N/A	4.0%
Judges	4.5%	4.5%	N/A	N/A	N/A
Medical Trend Assumptions (Under Age 65)	N/A	N/A	N/A	8.5% to 5.0%	
Medical Trend Assumptions (Ages 65 and Older)	N/A	N/A	N/A	6.3% to 5.0%	
Year of Ultimate Trend Rate	N/A	N/A	N/A	2019	

(1) Includes inflation rate of 2.5 percent.

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

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Statutory Required Contribution</u>	<u>Percentage Contributed</u>
<b><i>Group Life Insurance Fund</i></b>				
2014	\$ 228,086	90.2%	\$ 205,623	100.0%
2013	221,622	90.2%	199,796	100.0%
2012	181,527	26.1%	47,293	100.0%
2011	177,378	25.2%	44,744	100.0%
2010	145,228	65.5%	95,185	100.0%
2009	146,545	92.1%	135,019	100.0%
2008	158,740	100.0%	158,740	100.0%
<b><i>Retiree Health Insurance Credit Fund</i></b>				
2014	\$ 150,831	95.1%	\$ 143,425	100.0%
2013	145,416	95.1%	138,282	100.0%
2012	138,195	37.5%	51,882	100.0%
2011	133,655	36.5%	48,736	100.0%
2010	148,956	66.7%	99,356	100.0%
2009	150,048	96.6%	144,989	100.0%
2008	147,524	100.0%	147,524	100.0%
<b><i>Disability Insurance Trust Fund</i></b>				
2014	\$ 20,610	81.0%	\$ 16,701	100.0%
2013	21,032	81.0%	17,043	100.0%
2012	30,285	3.6%	1,096	100.0%
2011	28,646	-	-	-
2010	76,530	40.3%	30,861	100.0%
2009	78,120	91.3%	71,344	100.0%
2008	97,975	80.0%	78,380	100.0%
<b><i>Line of Duty Death and Disability (2)</i></b>				
2014	\$ 22,103	47.0%	\$ 10,381	100.0%
2013	21,895	42.7%	9,341	100.0%
2012	25,033	33.3%	8,323	100.0%
2011	-	-	-	-
2010	16,901	53.8%	9,084	100.0%
2009	16,523	51.5%	8,511	100.0%
2008	9,786	102.5%	10,026	100.0%
<b><i>Pre-Medicare Retiree Healthcare</i></b>				
2014	\$ 198,873	17.3%	\$ -	-
2013	182,970	8.5%	-	-
2012	172,910	21.2%	-	-

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

(2) Line of Duty Death and Disability became a cost sharing plan effective July 1, 2010. Accordingly, the net OPEB obligation at the beginning of the transition period has been reduced to zero.

**Change in Discount Rate (1)**

Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

<b>System/Plan</b>	<b>Net Pension Liability</b>		
	<b>1.0% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1.0% Increase (8.0%)</b>
Virginia Retirement System:			
State	\$ 8,201,094	\$ 5,598,398	\$ 3,415,966
Teacher	17,745,186	12,084,700	7,424,273
Political Subdivision	5,052,686	2,507,469	394,561
Total Virginia Retirement System	<u>30,998,966</u>	<u>20,190,567</u>	<u>11,234,800</u>
State Police Officers' Retirement System	434,119	310,866	207,412
Virginia Law Officers' Retirement System	921,139	674,127	471,033
Judicial Retirement System	230,771	174,486	125,641
Grand Total	<u>\$ 32,584,995</u>	<u>\$ 21,350,046</u>	<u>\$ 12,038,886</u>

- (1) The Commonwealth implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, during fiscal year 2014, and this schedule is now required.

## Schedule of Changes in Employers' Net Pension Liability (1)

Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Change in the Net Pension Liability	VRS State 2014	VRS Teacher 2014	VRS Political Subdivisions 2014	SPORS 2014	VaLORS 2014	JRS 2014	Total 2014
<b>Total pension liability:</b>							
Service cost	\$ 369,120	\$ 831,501	\$ 524,758	\$ 18,341	\$ 46,504	\$ 24,024	\$ 1,814,248
Interest	1,436,064	2,722,787	1,243,386	67,977	119,040	40,014	5,629,268
Benefit changes	-	-	-	-	-	-	-
Difference between actual and expected experience	-	-	-	-	-	-	-
Assumption changes	-	-	-	-	-	-	-
Benefit payments	(1,081,866)	(1,874,636)	(754,706)	(50,467)	(78,412)	(37,984)	(3,878,071)
Refunds of contributions	(25,036)	(36,103)	(36,876)	(685)	(4,665)	-	(103,365)
Net change in total pension liability	698,282	1,643,549	976,562	35,166	82,467	26,054	3,462,080
<b>Total pension liability - beginning</b>	<b>21,068,651</b>	<b>39,852,334</b>	<b>18,158,446</b>	<b>996,690</b>	<b>1,742,110</b>	<b>590,626</b>	<b>82,408,857</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 21,766,933</b>	<b>\$ 41,495,883</b>	<b>\$ 19,135,008</b>	<b>\$ 1,031,856</b>	<b>\$ 1,824,577</b>	<b>\$ 616,680</b>	<b>\$ 85,870,937</b>
<b>Plan fiduciary net position:</b>							
Contributions - employer	\$ 343,259	\$ 853,634	\$ 539,366	\$ 42,683	\$ 67,483	\$ 27,727	\$ 1,874,152
Contributions - member	198,035	371,241	225,555	5,646	17,908	3,051	821,436
Net investment income	2,243,999	4,042,441	2,272,284	98,682	156,786	60,833	8,875,025
Benefit payments	(1,081,866)	(1,874,636)	(754,706)	(50,467)	(78,412)	(37,984)	(3,878,071)
Refunds of contributions	(25,036)	(36,103)	(36,876)	(685)	(4,665)	-	(103,365)
Administrative expense	(12,341)	(22,036)	(12,153)	(431)	(681)	(268)	(47,910)
Other	123	217	120	-	-	-	460
Net change in plan fiduciary net position	1,666,173	3,334,758	2,233,590	95,428	158,419	53,359	7,541,727
<b>Plan fiduciary net position - beginning</b>	<b>14,502,362</b>	<b>26,076,425</b>	<b>14,393,949</b>	<b>625,562</b>	<b>992,031</b>	<b>388,835</b>	<b>56,979,164</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 16,168,535</b>	<b>\$ 29,411,183</b>	<b>\$ 16,627,539</b>	<b>\$ 720,990</b>	<b>\$ 1,150,450</b>	<b>\$ 442,194</b>	<b>\$ 64,520,891</b>
<b>Net pension liability - ending (a-b)</b>	<b>\$ 5,598,398</b>	<b>\$ 12,084,700</b>	<b>\$ 2,507,469</b>	<b>\$ 310,866</b>	<b>\$ 674,127</b>	<b>\$ 174,486</b>	<b>\$ 21,350,046</b>
Plan fiduciary net position as a percentage of the total pension liability (b/a)	74.3%	70.9%	86.9%	69.9%	63.1%	71.7%	75.1%
Covered employee payroll (c)	\$ 3,861,712	\$ 7,313,025	\$ 4,434,764	\$ 112,010	\$ 352,492	\$ 61,020	\$ 16,135,023
Net pension liability as a percentage of covered employee payroll ((a-b)/c)	145.0%	165.3%	56.5%	277.5%	191.3%	286.0%	132.3%

- (1) The Commonwealth implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, during fiscal year 2014, and this schedule is now required.

## 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	2005	2006	2007	2008
1. Required contribution and investment revenue:				
Earned	\$ 5,788	\$ 6,166	\$ 6,560	\$ 6,759
Ceded (a)	-	-	-	-
Net earned	5,788	6,166	6,560	6,759
2. Unallocated expenses	1,068	1,008	1,047	1,307
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	2,791	1,539	2,060	3,330
Ceded (a)	-	-	-	-
Net incurred	2,791	1,539	2,060	3,330
4. Net paid (cumulative) as of:				
End of policy year	227	177	106	493
One year later	1,699	745	1,051	1,697
Two years later	2,079	1,421	2,436	3,476
Three years later	2,332	2,087	2,631	3,753
Four years later	2,438	2,176	2,662	3,834
Five years later	2,451	2,554	2,671	5,065
Six years later	2,455	2,591	2,671	5,084
Seven years later	2,474	2,630	2,671	
Eight years later	2,679	2,639		
Nine years later	2,686			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	2,791	1,539	2,060	3,330
One year later	3,563	2,168	3,316	3,928
Two years later	3,418	2,494	3,224	5,420
Three years later	3,204	2,872	2,887	5,309
Four years later	2,763	2,820	2,730	5,094
Five years later	2,736	2,591	2,731	6,065
Six years later	2,671	2,676	2,731	5,768
Seven years later	2,746	2,698	2,731	
Eight years later	2,758	2,698		
Nine years later	2,926			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	135	1,159	671	2,438

The Commonwealth, through the Department of the Treasury, Division of Risk Management, provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 194 in this section.

2009	2010	2011	2012	2013	2014
\$ 6,197	\$ 5,485	\$ 4,131	\$ 5,019	\$ 5,043	\$ 8,500
-	-	-	-	-	-
6,197	5,485	4,131	5,019	5,043	8,500
1,272	1,269	1,310	1,382	1,273	1,435
3,681	3,404	3,213	5,390	3,394	4,025
-	-	-	-	-	-
3,681	3,404	3,213	5,390	3,394	4,025
300	412	396	1,677	335	367
1,858	2,236	1,940	4,468	3,401	
2,690	5,237	3,943	7,554		
3,679	6,744	4,317			
3,867	7,013				
3,928					
-	-	-	-	-	-
3,681	3,404	3,213	5,390	3,394	4,025
3,742	6,096	3,919	8,704	9,397	
3,943	8,428	4,523	9,107		
4,721	8,640	4,570			
4,555	8,692				
4,000					
319	5,288	1,357	3,717	6,003	-

## 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	2005	2006	2007	2008
1. Required contribution and investment revenue:				
Earned	\$ 157,959	\$ 184,360	\$ 202,366	\$ 211,034
Ceded (a)	-	-	-	-
Net earned	157,959	184,360	202,366	211,034
2. Unallocated expenses	10,655	11,899	13,782	16,215
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	144,976	152,289	163,787	185,117
Ceded (a)	-	-	-	-
Net incurred	144,976	152,289	163,787	185,117
4. Net paid (cumulative) as of:				
End of policy year	140,452	147,534	159,769	181,566
One year later	N/A	N/A	N/A	N/A
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	N/A
Eight years later	N/A	N/A	N/A	N/A
Nine years later	N/A	N/A	N/A	N/A
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	144,976	152,289	163,787	185,117
One year later	144,976	152,289	163,787	185,117
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	N/A
Eight years later	N/A	N/A	N/A	N/A
Nine years later	N/A	N/A	N/A	N/A
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

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

See Notes on page 194 in this section.

	2009	2010	2011	2012	2013	2014
\$	222,498	\$ 240,305	\$ 246,730	\$ 259,135	\$ 284,526	\$ 320,678
	-	-	-	-	-	-
	222,498	240,305	246,730	259,135	284,526	320,678
	16,400	15,936	15,849	16,701	18,781	17,738
	214,411	215,376	213,694	250,019	277,455	290,557
	-	-	-	-	-	-
	214,411	215,376	213,694	250,019	277,455	290,557
	204,655	214,371	209,365	235,058	267,256	291,711
	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					
	-	-	-	-	-	-
	214,411	215,376	213,694	250,019	277,455	290,557
	214,411	215,376	213,694	250,019	277,455	
	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

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The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

### Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

**Combining and Individual Fund Statements and Schedules**



# Nonmajor Governmental Funds

## Special Revenue Funds

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

**The Health and Social Services Special Revenue Fund** accounts for revenues and expenditures related to local health care assistance.

**The Other Special Revenue Fund** accounts for revenues and expenditures related to business and agricultural activities, and miscellaneous activities throughout the Commonwealth.

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## Debt Service Funds:

*The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Position.*

**Primary Government** accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, behavioral health, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

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## Capital Project Funds

*The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.*

**Primary Government** accounts for the financial resources acquired through the issuance of General Obligation Bonds and Energy Performance Contracts. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

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## 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, 2014

(Dollars in Thousands)

	<b>Special Revenue Funds</b>		
	<b>Health and Social Services</b>	<b>Other</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents	\$ 144,982	\$ 477,436	\$ 622,418
Investments	6,093	11,539	17,632
Receivables, Net	57,228	19,101	76,329
Due from Other Funds	150	10,267	10,417
Due from Component Units	-	-	-
Due from External Parties (Fiduciary Funds)	-	147	147
Interfund Receivable	-	110,842	110,842
Inventory	4,566	405	4,971
Prepaid Items	10,838	2,463	13,301
Other Assets	19	1,735	1,754
Loans Receivable from Component Units	-	5,705	5,705
<b>Total Assets</b>	<b>223,876</b>	<b>639,640</b>	<b>863,516</b>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	\$ 223,876	\$ 639,640	\$ 863,516
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Accounts Payable	\$ 17,552	\$ 31,342	\$ 48,894
Amounts Due to Other Governments	-	9,540	9,540
Due to Other Funds	2,713	2,453	5,166
Due to External Parties (Fiduciary Funds)	1,140	1,254	2,394
Interfund Payable	-	-	-
Unearned Revenue	1,995	8,379	10,374
Obligations Under Securities Lending Program	1,840	14,139	15,979
Other Liabilities	1,047	3,380	4,427
Long-term Liabilities Due Within One Year	168	60	228
<b>Total Liabilities</b>	<b>26,455</b>	<b>70,547</b>	<b>97,002</b>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	53,427	77,726	131,153
<b>Fund Balances:</b>			
Nonspendable	15,404	2,764	18,168
Restricted	37,018	106,914	143,932
Committed	111,418	442,007	553,425
Assigned	6,609	10,229	16,838
<b>Total Fund Balances</b>	<b>170,449</b>	<b>561,914</b>	<b>732,363</b>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 223,876	\$ 639,640	\$ 863,516

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ 44,074	\$ -	\$ 44,074	\$ 35,860	\$ 39,793	\$ 75,653
-	-	-	-	-	-
-	-	-	-	8	8
-	-	-	-	-	-
-	-	-	2	-	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
44,074	-	44,074	35,862	39,801	75,663
-	-	-	-	-	-
\$ 44,074	\$ -	\$ 44,074	\$ 35,862	\$ 39,801	\$ 75,663
\$ -	\$ -	\$ -	\$ 939	\$ 8,753	\$ 9,692
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	13,151	13,151
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	939	21,904	22,843
-	-	-	-	-	-
-	-	-	939	21,904	22,843
-	-	-	-	-	-
44,074	-	44,074	34,923	17,897	52,820
-	-	-	-	-	-
-	-	-	-	-	-
44,074	-	44,074	34,923	17,897	52,820
\$ 44,074	\$ -	\$ 44,074	\$ 35,862	\$ 39,801	\$ 75,663

Continued on next page

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

June 30, 2014

(Dollars in Thousands)

	Permanent Funds			Total Nonmajor Governmental Funds
	Commonwealth Health Research Board	Behavioral Health Endowment Funds	Total	
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 111	\$ 142	\$ 253	\$ 742,398
Investments	35,424	-	35,424	53,056
Receivables, Net	-	-	-	76,337
Due from Other Funds	-	-	-	10,417
Due from Component Units	-	-	-	2
Due from External Parties (Fiduciary Funds)	-	-	-	147
Interfund Receivable	-	-	-	110,842
Inventory	-	-	-	4,971
Prepaid Items	-	-	-	13,301
Other Assets	-	-	-	1,754
Loans Receivable from Component Units	-	-	-	5,705
Total Assets	35,535	142	35,677	1,018,930
<b>Deferred Outflows of Resources</b>				
Total Assets and Deferred Outflows of Resources	\$ 35,535	\$ 142	\$ 35,677	\$ 1,018,930
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Accounts Payable	\$ 5	\$ -	\$ 5	\$ 58,591
Amounts Due to Other Governments	-	-	-	9,540
Due to Other Funds	1	-	1	5,167
Due to External Parties (Fiduciary Funds)	1	-	1	2,395
Interfund Payable	-	-	-	13,151
Unearned Revenue	-	-	-	10,374
Obligations Under Securities Lending Program	-	-	-	15,979
Other Liabilities	-	-	-	4,427
Long-term Liabilities Due Within One Year	-	-	-	228
Total Liabilities	7	-	7	119,852
<b>Deferred Inflows of Resources</b>				
Total Liabilities and Deferred Inflows of Resources	7	-	7	34,151
<b>Fund Balances:</b>				
Nonspendable	34,254	48	34,302	52,470
Restricted	1,274	94	1,368	242,194
Committed	-	-	-	553,425
Assigned	-	-	-	16,838
Total Fund Balances	35,528	142	35,670	864,927
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 35,535	\$ 142	\$ 35,677	\$ 1,018,930



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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	<b>Special Revenue Funds</b>		
	<b>Health and Social Services</b>	<b>Other</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ 10,044	\$ 78,154	\$ 88,198
Rights and Privileges	140,426	179,230	319,656
Institutional Revenue	270,431	19,160	289,591
Interest, Dividends, Rents, and Other Investment Income	1,131	11,698	12,829
Other	97,247	248,102	345,349
<b>Total Revenues</b>	<b>519,279</b>	<b>536,344</b>	<b>1,055,623</b>
<b>Expenditures</b>			
<b>Current:</b>			
General Government	283	76,329	76,612
Education	594	19,225	19,819
Transportation	-	5,890	5,890
Resources and Economic Development	34,650	286,563	321,213
Individual and Family Services	469,904	52,967	522,871
Administration of Justice	444	74,233	74,677
Capital Outlay	-	7,765	7,765
<b>Debt Service:</b>			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
<b>Total Expenditures</b>	<b>505,875</b>	<b>522,972</b>	<b>1,028,847</b>
<b>Revenues Over (Under) Expenditures</b>	<b>13,404</b>	<b>13,372</b>	<b>26,776</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	1,361	56,686	58,047
Transfers Out	(26,096)	(25,319)	(51,415)
Notes Issued	-	40	40
Insurance Recoveries	9	664	673
Premium on Debt Issuance	-	-	-
Refunding Bonds Issued	-	-	-
Sale of Capital Assets	7,507	-	7,507
Payment to Refunded Bond Escrow Agents	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(17,219)</b>	<b>32,071</b>	<b>14,852</b>
<b>Net Change in Fund Balances</b>	<b>(3,815)</b>	<b>45,443</b>	<b>41,628</b>
<b>Fund Balance, July 1</b>	<b>174,264</b>	<b>516,471</b>	<b>690,735</b>
<b>Fund Balance, June 30</b>	<b>\$ 170,449</b>	<b>\$ 561,914</b>	<b>\$ 732,363</b>

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2	-	2	42	174	216
7,210	-	7,210	-	-	-
7,212	-	7,212	42	174	216
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,419	146,909	158,328
252,665	168,170	420,835	-	-	-
170,975	108,295	279,270	-	-	-
423,640	276,465	700,105	11,419	146,909	158,328
(416,428)	(276,465)	(692,893)	(11,377)	(146,735)	(158,112)
443,574	278,318	721,892	45	13	58
-	-	-	-	(14,971)	(14,971)
-	-	-	12,289	-	12,289
-	-	-	-	-	-
40,054	-	40,054	-	-	-
276,765	-	276,765	-	-	-
-	-	-	-	-	-
(335,013)	(1,904)	(336,917)	-	-	-
425,380	276,414	701,794	12,334	(14,958)	(2,624)
8,952	(51)	8,901	957	(161,693)	(160,736)
35,122	51	35,173	33,966	179,590	213,556
\$ 44,074	\$ -	\$ 44,074	\$ 34,923	\$ 17,897	\$ 52,820

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, 2014  
(Dollars in Thousands)

	Permanent Funds			Total Nonmajor Governmental Funds
	Commonwealth Health Research Board	Behavioral Health Endowment Funds	Total	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 88,198
Rights and Privileges	-	-	-	319,656
Institutional Revenue	-	-	-	289,591
Interest, Dividends, Rents, and Other Investment Income	4,849	-	4,849	17,896
Other	26	-	26	352,585
Total Revenues	4,875	-	4,875	1,067,926
<b>Expenditures</b>				
Current:				
General Government	-	-	-	76,612
Education	-	-	-	19,819
Transportation	-	-	-	5,890
Resources and Economic Development	-	-	-	321,213
Individual and Family Services	873	97	970	523,841
Administration of Justice	-	-	-	74,677
Capital Outlay	-	-	-	166,093
Debt Service:				
Principal Retirement	-	-	-	420,835
Interest and Charges	-	-	-	279,270
Total Expenditures	873	97	970	1,888,250
Revenues Over (Under) Expenditures	4,002	(97)	3,905	(820,324)
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	779,997
Transfers Out	-	-	-	(66,386)
Notes Issued	-	-	-	12,329
Insurance Recoveries	-	-	-	673
Premium on Debt Issuance	-	-	-	40,054
Refunding Bonds Issued	-	-	-	276,765
Sale of Capital Assets	-	-	-	7,507
Payment to Refunded Bond Escrow Agents	-	-	-	(336,917)
Total Other Financing Sources (Uses)	-	-	-	714,022
Net Change in Fund Balances	4,002	(97)	3,905	(106,302)
Fund Balance, July 1	31,526	239	31,765	971,229
Fund Balance, June 30	\$ 35,528	\$ 142	\$ 35,670	\$ 864,927



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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Health and Social Services			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Motor Fuel	\$ -	\$ -	\$ -	\$ -
Deeds, Contracts, Suits	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Public Service Corporations	10,780	10,780	10,044	(736)
Other Taxes	-	-	-	-
Rights and Privileges	140,786	140,587	140,282	(305)
Sales of Property and Commodities	-	1,697	4,301	2,604
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	297,061	302,486	274,350	(28,136)
Interest, Dividends, and Rents	298	285	710	425
Fines, Forfeitures, Court Fees, Penalties, and Escheats	484	513	1,205	692
Receipts from Cities, Counties, and Towns	57,149	56,831	58,133	1,302
Private Donations, Gifts and Contracts	3,987	3,516	3,528	12
Other	35,014	31,794	37,758	5,964
<b>Total Revenues</b>	<b>545,559</b>	<b>548,489</b>	<b>530,311</b>	<b>(18,178)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	125	397	287	110
Education	1,000	1,583	593	990
Transportation	-	-	-	-
Resources and Economic Development	34,229	35,171	34,486	685
Individual and Family Services	535,886	548,386	466,966	81,420
Administration of Justice	374	449	436	13
Capital Outlay	1,059	1,059	-	1,059
<b>Total Expenditures</b>	<b>572,673</b>	<b>587,045</b>	<b>502,768</b>	<b>84,277</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(27,114)</b>	<b>(38,556)</b>	<b>27,543</b>	<b>66,099</b>
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	225	225	1,361	1,136
Transfers Out	(20,004)	(20,553)	(26,096)	(5,543)
<b>Total Other Financing Sources (Uses)</b>	<b>(19,779)</b>	<b>(20,328)</b>	<b>(24,735)</b>	<b>(4,407)</b>
<b>Revenues and Other Sources Over (Under)</b>				
Expenditures and Other Uses	(46,893)	(58,884)	2,808	61,692
<b>Fund Balance, July 1</b>	<b>145,313</b>	<b>145,313</b>	<b>145,313</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 98,420</b>	<b>\$ 86,429</b>	<b>\$ 148,121</b>	<b>\$ 61,692</b>

See Notes on page 208 in this section.

Other

Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ 33,654	\$ 32,883	\$ 32,594	\$ (289)
549	549	525	(24)
877	879	854	(25)
83	83	107	24
10,316	10,089	10,575	486
31,127	33,269	33,105	(164)
200,878	186,649	179,485	(7,164)
3,275	4,116	18,311	14,195
109,901	111,880	112,295	415
18,456	19,481	18,997	(484)
12,386	11,137	11,533	396
53,494	51,769	52,663	894
1,298	1,298	1,209	(89)
1,179	1,917	3,316	1,399
63,973	51,859	60,607	8,748
541,446	517,858	536,176	18,318
70,246	82,276	76,363	5,913
24,045	24,549	18,565	5,984
8,047	7,076	5,779	1,297
315,250	326,542	283,569	42,973
66,794	66,544	53,486	13,058
79,067	91,566	74,010	17,556
24,539	26,835	7,536	19,299
587,988	625,388	519,308	106,080
(46,542)	(107,530)	16,868	124,398
20,019	24,383	56,686	32,303
(19,232)	(21,614)	(25,319)	(3,705)
787	2,769	31,367	28,598
(45,755)	(104,761)	48,235	152,996
529,745	529,745	529,745	-
\$ 483,990	\$ 424,984	\$ 577,980	\$ 152,996

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

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**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, 2014, to the fund balance on a modified accrual basis follows.

<i>(Dollars in Thousands)</i>	<b>Health and Social Services</b>	<b>Other</b>
Fund Balance, Basis of Budgeting	\$ 148,121	\$ 577,980
Adjustments from Budget to Modified Accrual:		
Accrued Revenues:		
Taxes	-	5,445
Other Revenue	28,564	7,962
Accrued Expenditures/Transfers	(7,134)	(29,925)
Fund Reclassification - Budget to Modified Accrual	898	452
Fund Balance, Modified Accrual Basis	<u>\$ 170,449</u>	<u>\$ 561,914</u>

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**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, 2014.

<i>(Dollars in Thousands)</i>	<b>Health and Social Services</b>	<b>Other</b>
Appropriations (1)	\$ 572,673	\$ 587,988
Supplemental Appropriations:		
Reappropriations (2)	6,059	43,111
Subsequent Executive (3)	15,125	26,949
Subsequent Legislative (4)	(2,616)	13,354
Capital Outlay Reversions (5)	-	(204)
Transfers (6)	1,862	6,062
Capital Outlay Adjustment (7)	(6,058)	(51,872)
Appropriations, as adjusted	<u>\$ 587,045</u>	<u>\$ 625,388</u>

1. Represents the budget appropriated through Chapter 806, 2013 Acts of Assembly, as amended by Chapter 1, 2014 Special Session I, Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

## Nonmajor Enterprise Funds

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

**Department of Alcoholic Beverage Control** operates facilities for the distribution and sale of distilled spirits and wine.

**Risk Management** accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

**Local Choice Health Care** administers a health care plan for the employees of participating local governments.

**Route 460 Funding Corporation of Virginia** accounts for the development, design, construction, financing, maintenance, tolling and operation of the Route 460 Corridor Improvements Project. The Corporation is a blended component unit of the Department of Transportation (Primary Government). The eventual collection of tolls upon project completion serves as security for the outstanding debt issued to construct the facility.

**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, 2014

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 1,275	\$ 20,245	\$ 106,644
Investments	4	-	-
Receivables, Net	3,950	265	27,095
Due From Other Funds	-	-	-
Inventory	58,249	-	-
Prepaid Items	2,412	3	-
Other Assets	200	-	-
Total Current Assets	<u>66,090</u>	<u>20,513</u>	<u>133,739</u>
<b>Noncurrent Assets:</b>			
Investments	-	-	-
Nondepreciable Capital Assets	4,773	-	-
Depreciable Capital Assets, Net	6,144	72	-
Total Noncurrent Assets	<u>10,917</u>	<u>72</u>	<u>-</u>
Total Assets	<u>77,007</u>	<u>20,585</u>	<u>133,739</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>77,007</u>	<u>20,585</u>	<u>133,739</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
<b>Current Liabilities:</b>			
Accounts Payable	29,766	728	4,705
Amounts Due to Other Governments	-	-	-
Due to Other Funds	12,639	6	-
Due to External Parties (Fiduciary Funds)	361	14	-
Interfund Payable	26,563	-	-
Unearned Revenue	275	908	-
Obligations Under Securities Lending Program	130	-	-
Other Liabilities	14	-	-
Claims Payable Due Within One Year	-	8,896	33,028
Long-term Liabilities Due Within One Year	2,876	43	-
Total Current Liabilities	<u>72,624</u>	<u>10,595</u>	<u>37,733</u>
<b>Noncurrent Liabilities:</b>			
Claims Payable Due in More Than One Year	-	21,247	-
Long-term Liabilities Due in More Than One Year	47,506	455	-
Total Noncurrent Liabilities	<u>47,506</u>	<u>21,702</u>	<u>-</u>
Total Liabilities	<u>120,130</u>	<u>32,297</u>	<u>37,733</u>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	<u>120,130</u>	<u>32,297</u>	<u>37,733</u>
<b>Net Position</b>			
Net Investment in Capital Assets	10,917	72	-
Unrestricted	(54,040)	(11,784)	96,006
Total Net Position (Deficit)	<u>\$ (43,123)</u>	<u>\$ (11,712)</u>	<u>\$ 96,006</u>

Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts
\$ 142,308	\$ 8,702	\$ 4,496	\$ 14,333	\$ 2,594	\$ 15,426	\$ 1,216
10,155	-	-	-	-	-	-
200	2,137	182	3,809	-	9,741	123
-	50	-	390	-	-	-
-	3,235	59	-	-	-	584
57	-	-	-	-	-	-
-	3	-	-	-	-	6
152,720	14,127	4,737	18,532	2,594	25,167	1,929
26,130	-	-	-	-	-	-
128,902	401	66	-	-	-	-
-	10,178	1,483	61	-	-	-
155,032	10,579	1,549	61	-	-	-
307,752	24,706	6,286	18,593	2,594	25,167	1,929
-	-	-	-	-	-	-
307,752	24,706	6,286	18,593	2,594	25,167	1,929
5,575	1,818	258	1,573	344	8,880	143
-	-	-	-	-	914	-
-	163	342	293	1,040	8	10
-	7	16	22	38	7	6
-	-	-	-	-	-	-
-	-	1,002	-	2	-	-
-	-	-	-	-	-	-
5,863	-	-	-	-	-	149
-	-	-	-	-	-	-
-	188	168	228	523	33	-
11,438	2,176	1,786	2,116	1,947	9,842	308
-	-	-	-	-	-	-
317,305	2,367	1,919	1,825	4,809	955	868
317,305	2,367	1,919	1,825	4,809	955	868
328,743	4,543	3,705	3,941	6,756	10,797	1,176
-	-	-	-	-	-	-
328,743	4,543	3,705	3,941	6,756	10,797	1,176
(21,253)	10,579	1,549	61	-	-	-
262	9,584	1,032	14,591	(4,162)	14,370	753
\$ (20,991)	\$ 20,163	\$ 2,581	\$ 14,652	\$ (4,162)	\$ 14,370	\$ 753

Continued on next page

**Combining Statement of Fund Net Position – Nonmajor Enterprise Funds** (Continued from previous page)

June 30, 2014

(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 212	\$ 429	\$ 317,880
Investments	-	-	10,159
Receivables, Net	2	-	47,504
Due From Other Funds	-	-	440
Inventory	63	-	62,190
Prepaid Items	-	-	2,472
Other Assets	-	-	209
<b>Total Current Assets</b>	<b>277</b>	<b>429</b>	<b>440,854</b>
<b>Noncurrent Assets:</b>			
Investments	-	-	26,130
Nondepreciable Capital Assets	-	-	134,142
Depreciable Capital Assets, Net	28	-	17,966
<b>Total Noncurrent Assets</b>	<b>28</b>	<b>-</b>	<b>178,238</b>
<b>Total Assets</b>	<b>305</b>	<b>429</b>	<b>619,092</b>
<b>Deferred Outflows of Resources</b>			
<b>Total Assets and Deferred Outflows of Resources</b>	<b>305</b>	<b>429</b>	<b>619,092</b>
<b>Liabilities and Deferred Inflows of Resources</b>			
<b>Current Liabilities:</b>			
Accounts Payable	5	-	53,795
Amounts Due to Other Governments	-	-	914
Due to Other Funds	7	-	14,508
Due to External Parties (Fiduciary Funds)	-	-	471
Interfund Payable	-	-	26,563
Unearned Revenue	1	-	2,188
Obligations Under Securities Lending Program	-	-	130
Other Liabilities	-	178	6,204
Claims Payable Due Within One Year	-	-	41,924
Long-term Liabilities Due Within One Year	-	-	4,059
<b>Total Current Liabilities</b>	<b>13</b>	<b>178</b>	<b>150,756</b>
<b>Noncurrent Liabilities:</b>			
Claims Payable Due in More Than One Year	-	-	21,247
Long-term Liabilities Due in More Than One Year	68	-	378,077
<b>Total Noncurrent Liabilities</b>	<b>68</b>	<b>-</b>	<b>399,324</b>
<b>Total Liabilities</b>	<b>81</b>	<b>178</b>	<b>550,080</b>
<b>Deferred Inflows of Resources</b>			
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>81</b>	<b>178</b>	<b>550,080</b>
<b>Net Position</b>			
Net Investment in Capital Assets	28	-	1,953
Unrestricted	196	251	67,059
<b>Total Net Position (Deficit)</b>	<b>\$ 224</b>	<b>\$ 251</b>	<b>\$ 69,012</b>



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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 671,045	\$ 8,500	\$ 320,678
Interest, Dividends, Rents, and Other Investment Income	-	-	-
Other	18,410	-	-
Total Operating Revenues	689,455	8,500	320,678
<b>Operating Expenses</b>			
Cost of Sales and Services	391,544	-	-
Prizes and Claims	-	11,939	290,557
Personal Services	102,576	837	-
Contractual Services	27,236	615	17,738
Supplies and Materials	3,401	6	-
Depreciation	2,573	9	-
Rent, Insurance, and Other Related Charges	26,238	76	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other	2,679	2	-
Total Operating Expenses	556,247	13,484	308,295
Operating Income (Loss)	133,208	(4,984)	12,383
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	225	-	-
Capital Disbursements	-	-	-
Other	9,088	-	-
Total Nonoperating Revenues (Expenses)	9,313	-	-
Income (Loss) Before Capital Contributions and Transfers	142,521	(4,984)	12,383
Capital Contributions	-	-	-
Transfers In	49	-	-
Transfers Out	(149,160)	-	-
Change in Net Position	(6,590)	(4,984)	12,383
Total Net Position (Deficit), July 1, as restated	(36,533)	(6,728)	83,623
Total Net Position (Deficit), June 30	\$ (43,123)	\$ (11,712)	\$ 96,006

<u>Route 460 Funding Corporation of Virginia</u>	<u>Virginia Industries for the Blind</u>	<u>Consolidated Laboratory</u>	<u>eVA Procurement System</u>	<u>Department of Environmental Quality</u>	<u>Wireless E-911 Service Board</u>	<u>Virginia Museum of Fine Arts</u>
\$ -	\$ 36,072	\$ 9,381	\$ 16,051	\$ 10,546	\$ 53,559	\$ 6,085
-	3	-	-	-	-	-
-	3	-	-	-	-	6
-	36,078	9,381	16,051	10,546	53,559	6,091
-	-	-	-	-	-	2,295
-	-	-	-	-	-	-
-	6,534	3,503	3,510	9,996	1,646	2,923
-	1,380	1,081	14,986	927	172	537
-	27,418	3,174	9	99	18	99
-	437	276	46	-	-	-
-	1,586	636	1,257	742	16	-
-	-	-	-	-	35,620	-
448	178	54	19	-	3	-
448	37,533	8,724	19,827	11,764	37,475	5,854
(448)	(1,455)	657	(3,776)	(1,218)	16,084	237
629	-	-	-	-	-	-
(69,595)	-	-	-	-	-	-
(12,214)	-	-	-	-	-	-
(81,180)	-	-	-	-	-	-
(81,628)	(1,455)	657	(3,776)	(1,218)	16,084	237
69,595	-	-	-	-	-	-
-	-	-	-	300	-	-
-	-	(953)	-	-	(13,450)	(708)
(12,033)	(1,455)	(296)	(3,776)	(918)	2,634	(471)
(8,958)	21,618	2,877	18,428	(3,244)	11,736	1,224
<u>\$ (20,991)</u>	<u>\$ 20,163</u>	<u>\$ 2,581</u>	<u>\$ 14,652</u>	<u>\$ (4,162)</u>	<u>\$ 14,370</u>	<u>\$ 753</u>

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, 2014  
(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 391	\$ 424	\$ 1,132,732
Interest, Dividends, Rents, and Other Investment Income	-	-	3
Other	-	-	18,419
Total Operating Revenues	391	424	1,151,154
<b>Operating Expenses</b>			
Cost of Sales and Services	182	442	394,463
Prizes and Claims	-	-	302,496
Personal Services	133	-	131,658
Contractual Services	7	-	64,679
Supplies and Materials	1	-	34,225
Depreciation	6	-	3,347
Rent, Insurance, and Other Related Charges	-	-	30,551
Non-recurring Cost Estimate Payments to Providers	-	-	35,620
Other	16	-	3,399
Total Operating Expenses	345	442	1,000,438
Operating Income (Loss)	46	(18)	150,716
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	-	-	854
Capital Disbursements	-	-	(69,595)
Other	-	-	(3,126)
Total Nonoperating Revenues (Expenses)	-	-	(71,867)
Income (Loss) Before Capital Contributions and Transfers	46	(18)	78,849
Capital Contributions	-	-	69,595
Transfers In	-	-	349
Transfers Out	(30)	(18)	(164,319)
Change in Net Position	16	(36)	(15,526)
Total Net Position (Deficit), July 1, as restated	208	287	84,538
Total Net Position (Deficit), June 30	\$ 224	\$ 251	\$ 69,012



## Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 683,599	\$ 8,438	\$ 315,183
Internal Activity-Receipts from Other Funds	-	-	-
Internal Activity-Payments to Other Funds	-	-	-
Payments to Suppliers for Goods and Services	(423,993)	-	-
Payments for Contractual Services	(27,236)	(480)	(17,712)
Payments for Prizes, Claims, and Loss Control	-	(7,072)	(291,711)
Payments to Employees	(97,256)	(924)	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-
Other Operating Revenue	9,399	-	-
Other Operating Expense	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>144,513</u>	<u>(38)</u>	<u>5,760</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In from Other Funds	49	-	-
Transfers Out to Other Funds	(342,383)	-	-
Other Noncapital Financing Receipt Activities	230,319	-	-
Other Noncapital Financing Disbursement Activities	(28,326)	(3,000)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(140,341)</u>	<u>(3,000)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(4,240)	-	-
Payment of Principal and Interest on Bonds and Notes	-	-	-
Proceeds from Sale of Capital Assets	4	-	-
Capital Contributions	-	-	-
Capital Disbursements	-	-	-
Net Cash Used for Capital and Related Financing Activities	<u>(4,236)</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	-	-	-
Proceeds from Sales or Maturities of Investments	-	-	-
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-
Net Cash Used for Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(64)	(3,038)	5,760
<b>Cash and Cash Equivalents, July 1</b>	1,413	23,283	100,884
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 1,349</u>	<u>\$ 20,245</u>	<u>\$ 106,644</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 1,275	\$ 20,245	\$ 106,644
Cash and Travel Advances	200	-	-
Less:			
Securities Lending Cash Equivalents	(126)	-	-
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 1,349</u>	<u>\$ 20,245</u>	<u>\$ 106,644</u>

Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts
\$ -	\$ 31,137	\$ 9,172	\$ 11,978	\$ 10,549	\$ 53,692	\$ 6,124
-	4,299	-	3,966	-	-	-
-	-	(825)	(1,380)	-	(11)	-
-	(26,808)	(3,034)	(26)	(88)	(42)	(2,295)
(448)	(1,360)	(875)	(14,832)	(916)	(162)	(533)
-	-	-	-	-	-	-
-	(6,279)	(3,003)	(2,905)	(9,209)	(1,405)	(2,788)
-	-	-	-	-	(35,367)	-
-	6	-	-	-	-	-
(57)	(1,420)	-	-	(741)	-	-
(505)	(425)	1,435	(3,199)	(405)	16,705	508
-	-	-	-	300	-	-
-	-	(953)	-	-	(13,450)	(708)
-	-	300	-	-	-	-
-	-	-	-	-	-	-
-	-	(653)	-	300	(13,450)	(708)
(64,455)	(420)	(68)	-	-	-	-
(12,084)	-	-	-	-	-	-
-	-	-	-	-	-	-
91,298	-	-	-	-	-	-
(91,298)	-	-	-	-	-	-
(76,539)	(420)	(68)	-	-	-	-
(39,358)	-	-	-	-	-	-
2,689	-	-	-	-	-	-
430	-	-	-	-	-	-
(36,239)	-	-	-	-	-	-
(113,283)	(845)	714	(3,199)	(105)	3,255	(200)
255,591	9,550	3,782	17,532	2,699	12,171	1,422
\$ 142,308	\$ 8,705	\$ 4,496	\$ 14,333	\$ 2,594	\$ 15,426	\$ 1,222
\$ 142,308	\$ 8,702	\$ 4,496	\$ 14,333	\$ 2,594	\$ 15,426	\$ 1,216
-	3	-	-	-	-	6
-	-	-	-	-	-	-
\$ 142,308	\$ 8,705	\$ 4,496	\$ 14,333	\$ 2,594	\$ 15,426	\$ 1,222

Continued on next page

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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 391	\$ 424	\$ 1,130,687
Internal Activity-Receipts from Other Funds	-	-	8,265
Internal Activity-Payments to Other Funds	-	-	(2,216)
Payments to Suppliers for Goods and Services	(182)	(442)	(456,910)
Payments for Contractual Services	(7)	-	(64,561)
Payments for Prizes, Claims, and Loss Control	-	-	(298,783)
Payments to Employees	(140)	-	(123,909)
Payments to Providers for Non-recurring Cost Estimates	-	-	(35,367)
Other Operating Revenue	-	-	9,405
Other Operating Expense	(5)	-	(2,223)
Net Cash Provided by (Used for) Operating Activities	<u>57</u>	<u>(18)</u>	<u>164,388</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In from Other Funds	-	-	349
Transfers Out to Other Funds	(30)	(18)	(357,542)
Other Noncapital Financing Receipt Activities	-	-	230,619
Other Noncapital Financing Disbursement Activities	-	-	(31,326)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(30)</u>	<u>(18)</u>	<u>(157,900)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(34)	-	(69,217)
Payment of Principal and Interest on Bonds and Notes	-	-	(12,084)
Proceeds from Sale of Capital Assets	-	-	4
Capital Contributions	-	-	91,298
Capital Disbursements	-	-	(91,298)
Net Cash Used for Capital and Related Financing Activities	<u>(34)</u>	<u>-</u>	<u>(81,297)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	-	-	(39,358)
Proceeds from Sales or Maturities of Investments	-	-	2,689
Investment Income on Cash, Cash Equivalents, and Investments	-	-	430
Net Cash Used for Investing Activities	<u>-</u>	<u>-</u>	<u>(36,239)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7)	(36)	(111,048)
<b>Cash and Cash Equivalents, July 1</b>	219	465	429,011
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 212</u>	<u>\$ 429</u>	<u>\$ 317,963</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 212	\$ 429	\$ 317,880
Cash and Travel Advances	-	-	209
Less:			
Securities Lending Cash Equivalents	-	-	(126)
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 212</u>	<u>\$ 429</u>	<u>\$ 317,963</u>

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ 133,208	\$ (4,984)	\$ 12,383
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation	2,573	9	-
Miscellaneous Nonoperating Income	7	-	-
Other	-	-	-
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	3,416	(265)	(5,495)
(Increase) Decrease in Due from Other Funds	-	-	-
(Increase) Decrease in Other Assets	-	-	-
(Increase) Decrease in Inventory	(4,760)	-	-
(Increase) Decrease in Prepaid Items	(626)	(2)	-
Increase (Decrease) in Accounts Payable	3,350	252	(2,931)
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	630	1	-
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	47	9	-
Increase (Decrease) in Unearned Revenue	118	203	-
Increase (Decrease) in Other Liabilities	14	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	1,665	1,803
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	2,955	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	330	21	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	6,206	98	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 144,513</u>	<u>\$ (38)</u>	<u>\$ 5,760</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
The following transactions occurred prior to the Statement of Net Position date:			
Change in Fair Value of Investments	-	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-
Capitalized Interest Accrued	\$ -	\$ -	\$ -
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued on next page

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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ (448)	\$ (1,455)	\$ 657
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation	-	437	276
Miscellaneous Nonoperating Income	-	-	-
Other	(2,277)	69	-
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	-	(647)	(21)
(Increase) Decrease in Due from Other Funds	21,703	-	256
(Increase) Decrease in Other Assets	2,682	-	-
(Increase) Decrease in Inventory	-	411	9
(Increase) Decrease in Prepaid Items	(57)	70	-
Increase (Decrease) in Accounts Payable	(21,702)	425	8
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	-	58	(52)
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	-	(7)	3
Increase (Decrease) in Unearned Revenue	-	-	(159)
Increase (Decrease) in Other Liabilities	(406)	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	-	40	20
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	-	174	438
Net Cash Provided by (Used for) Operating Activities	<u>\$ (505)</u>	<u>\$ (425)</u>	<u>\$ 1,435</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
The following transactions occurred prior to the Statement of Net Position date:			
Change in Fair Value of Investments	(356)	-	-
Capital Asset Addition Included in Accounts Payable	5,574	-	-
Capitalized Interest Accrued	\$ 2,539	\$ -	\$ -
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 7,757</u>	<u>\$ -</u>	<u>\$ -</u>

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
\$ (3,776)	\$ (1,218)	\$ 16,084	\$ 237	\$ 46	\$ (18)	\$ 150,716
46	-	-	-	6	-	3,347
-	-	-	-	-	-	7
-	-	-	-	-	-	(2,208)
(120)	2	599	33	(2)	-	(2,500)
25	-	-	-	-	-	21,984
-	-	-	-	-	-	2,682
-	-	-	103	8	-	(4,229)
-	-	-	-	-	-	(615)
114	8	1,069	4	-	-	(19,403)
-	-	(1,288)	-	-	-	(1,288)
6	87	2	2	5	-	739
10	4	1	-	-	-	67
-	2	-	-	-	-	164
-	-	-	4	-	-	(388)
-	-	-	-	-	-	3,468
-	-	-	-	-	-	2,955
108	25	(6)	-	-	-	538
388	685	244	125	(6)	-	8,352
<u>\$ (3,199)</u>	<u>\$ (405)</u>	<u>\$ 16,705</u>	<u>\$ 508</u>	<u>\$ 57</u>	<u>\$ (18)</u>	<u>\$ 164,388</u>
-	-	-	-	-	-	(356)
-	-	-	-	-	-	5,574
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,539</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,757</u>



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## Internal Service Funds

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*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 and Cardinal System. Funding is derived from charges to agencies for the ongoing costs of the Commonwealth's enterprise applications, including recovery of the development and implementation costs initially funded through working capital advances.

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

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

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

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

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

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

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

**Combining Statement of Fund Net Position – Internal Service Funds**

June 30, 2014

(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 36,618	\$ 1,326	\$ 5,512
Receivables, Net	2,284	-	2,791
Due From Other Funds	23,717	-	1,471
Due From External Parties (Fiduciary Funds)	-	-	-
Due From Component Units	-	-	-
Inventory	-	-	12,967
Prepaid Items	3,801	-	31
Other Assets	3,110	-	3
Total Current Assets	<u>69,530</u>	<u>1,326</u>	<u>22,775</u>
<b>Noncurrent Assets:</b>			
Nondepreciable Capital Assets	-	32,968	228
Depreciable Capital Assets, Net	19,563	9,667	10,360
Total Noncurrent Assets	<u>19,563</u>	<u>42,635</u>	<u>10,588</u>
Total Assets	<u>89,093</u>	<u>43,961</u>	<u>33,363</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>89,093</u>	<u>43,961</u>	<u>33,363</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
<b>Current Liabilities:</b>			
Accounts Payable	27,620	3,170	1,024
Amounts Due to Other Governments	2,285	-	359
Due to Other Funds	104	10	245
Due to External Parties (Fiduciary Funds)	114	11	58
Interfund Payable	16,000	1,798	-
Unearned Revenue	46,258	-	797
Other Liabilities	-	-	1
Claims Payable Due Within One Year	-	-	-
Long-term Liabilities Due within One Year	596	141	599
Total Current Liabilities	<u>92,977</u>	<u>5,130</u>	<u>3,083</u>
<b>Noncurrent Liabilities:</b>			
Interfund Payable	-	41,584	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	15,236	1,485	8,229
Total Noncurrent Liabilities	<u>15,236</u>	<u>43,069</u>	<u>8,229</u>
Total Liabilities	<u>108,213</u>	<u>48,199</u>	<u>11,312</u>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	<u>108,213</u>	<u>48,199</u>	<u>11,312</u>
<b>Net Position</b>			
Net Investment in Capital Assets	19,563	42,635	9,276
Unrestricted	(38,683)	(46,873)	12,775
Total Net Position (Deficit)	<u>\$ (19,120)</u>	<u>\$ (4,238)</u>	<u>\$ 22,051</u>

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 128,500	\$ 4,867	\$ 31,119	\$ 178,359	\$ 6,931	\$ 466	\$ 393,698
2,182	456	266	260	1,254	-	9,493
27,043	2,064	480	1	1,375	-	56,151
194	-	-	-	-	-	194
17,607	-	-	-	-	-	17,607
-	31	361	-	3,787	-	17,146
-	-	354	438	279	136	5,039
-	-	-	-	1	-	3,114
175,526	7,418	32,580	179,058	13,627	602	502,442
-	-	-	-	1,050	-	34,246
-	33,918	10,308	98	5,117	93	89,124
-	33,918	10,308	98	6,167	93	123,370
175,526	41,336	42,888	179,156	19,794	695	625,812
-	-	-	-	-	-	-
175,526	41,336	42,888	179,156	19,794	695	625,812
19,141	1,310	1,698	2,070	1,239	92	57,364
-	-	978	-	-	-	3,622
-	86	665	4	570	10	1,694
-	6	59	16	34	10	308
-	-	419	-	632	-	18,849
-	39	21,748	57,730	22	-	126,594
-	-	287	508	56	-	852
124,890	-	-	82,218	-	-	207,108
-	2,993	3,644	60	388	104	8,525
144,031	4,434	29,498	142,606	2,941	216	424,916
-	-	2,666	-	1,029	-	45,279
-	-	-	542,375	-	-	542,375
-	12,957	34,125	943	4,269	1,190	78,434
-	12,957	36,791	543,318	5,298	1,190	666,088
144,031	17,391	66,289	685,924	8,239	1,406	1,091,004
-	-	-	-	-	-	-
144,031	17,391	66,289	685,924	8,239	1,406	1,091,004
-	18,773	(3,811)	98	6,167	93	92,794
31,495	5,172	(19,590)	(506,866)	5,388	(804)	(557,986)
\$ 31,495	\$ 23,945	\$ (23,401)	\$ (506,768)	\$ 11,555	\$ (711)	\$ (465,192)

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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 337,753	\$ 15,976	\$ 48,992
Other	-	-	-
Total Operating Revenues	<u>337,753</u>	<u>15,976</u>	<u>48,992</u>
<b>Operating Expenses</b>			
Cost of Sales and Services	-	-	38,022
Prizes and Claims	-	-	-
Personal Services	23,921	2,133	6,149
Contractual Services	300,101	12,651	2,822
Supplies and Materials	81	10	828
Depreciation	4,125	1,297	1,556
Rent, Insurance, and Other Related Charges	3,427	479	1,024
Interest Expense	-	-	-
Other	879	19	77
Total Operating Expenses	<u>332,534</u>	<u>16,589</u>	<u>50,478</u>
Operating Income (Loss)	<u>5,219</u>	<u>(613)</u>	<u>(1,486)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	-	-	-
Other	-	-	125
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>125</u>
Income (Loss) Before Special Item and Transfers	5,219	(613)	(1,361)
Special Item	-	8,113	-
Transfers In	-	-	-
Transfers Out	-	(9,427)	(1,000)
Change in Net Position	5,219	(1,927)	(2,361)
Total Net Position (Deficit), July 1	<u>(24,339)</u>	<u>(2,311)</u>	<u>24,412</u>
Total Net Position (Deficit), June 30	<u>\$ (19,120)</u>	<u>\$ (4,238)</u>	<u>\$ 22,051</u>

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 1,263,708	\$ 16,779	\$ 103,416	\$ 103,013	\$ 41,840	\$ 2,195	\$ 1,933,672
-	-	-	1	-	1	2
<u>1,263,708</u>	<u>16,779</u>	<u>103,416</u>	<u>103,014</u>	<u>41,840</u>	<u>2,196</u>	<u>1,933,674</u>
-	-	-	-	27,893	-	65,915
1,105,156	-	-	71,974	-	-	1,177,130
-	1,230	12,949	1,799	7,411	2,265	57,857
67,727	3,395	12,351	10,417	3,789	46	413,299
-	5,044	2,473	8	1,658	7	10,109
-	6,187	1,637	12	811	4	15,629
-	724	66,009	2,356	1,831	138	75,988
-	-	9	-	-	-	9
-	45	2,922	7,843	330	3	12,118
<u>1,172,883</u>	<u>16,625</u>	<u>98,350</u>	<u>94,409</u>	<u>43,723</u>	<u>2,463</u>	<u>1,828,054</u>
<u>90,825</u>	<u>154</u>	<u>5,066</u>	<u>8,605</u>	<u>(1,883)</u>	<u>(267)</u>	<u>105,620</u>
-	-	1	-	110	-	111
-	1,264	(2,721)	45	-	-	(1,287)
-	1,264	(2,720)	45	110	-	(1,176)
90,825	1,418	2,346	8,650	(1,773)	(267)	104,444
-	-	-	-	-	-	8,113
-	-	-	-	388	-	388
-	-	-	(1)	(112)	-	(10,540)
90,825	1,418	2,346	8,649	(1,497)	(267)	102,405
<u>(59,330)</u>	<u>22,527</u>	<u>(25,747)</u>	<u>(515,417)</u>	<u>13,052</u>	<u>(444)</u>	<u>(567,597)</u>
<u>\$ 31,495</u>	<u>\$ 23,945</u>	<u>\$ (23,401)</u>	<u>\$ (506,768)</u>	<u>\$ 11,555</u>	<u>\$ (711)</u>	<u>\$ (465,192)</u>

## Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 16,070	\$ 789	\$ 23,426
Internal Activity-Receipts from Other Funds	321,081	15,187	27,264
Internal Activity-Payments to Other Funds	(1,745)	-	(1,132)
Payments to Suppliers for Goods and Services	(4,967)	(10)	(35,976)
Payments for Contractual Services	(301,249)	(12,032)	(2,755)
Payments for Prizes, Claims, and Loss Control	-	-	-
Payments to Employees	(21,863)	(1,039)	(5,405)
Payments for Interest	-	-	-
Other Operating Revenue	-	-	-
Other Operating Expense	-	(498)	-
Net Cash Provided by Operating Activities	<u>7,327</u>	<u>2,397</u>	<u>5,422</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In from Other Funds	-	-	-
Transfers Out to Other Funds	-	-	(1,000)
Other Noncapital Financing Receipt Activities	-	-	-
Other Noncapital Financing Disbursement Activities	(6,000)	(1,505)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(6,000)</u>	<u>(1,505)</u>	<u>(1,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(2,185)	(869)	(255)
Payment of Principal and Interest on Bonds and Notes	-	-	(592)
Proceeds from Sale of Capital Assets	-	-	-
Other Capital and Related Financing Disbursement Activities	-	-	-
Net Cash Used for Capital and Related Financing Activities	<u>(2,185)</u>	<u>(869)</u>	<u>(847)</u>
<b>Cash Flows from Investing Activities</b>			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(858)	23	3,575
<b>Cash and Cash Equivalents, July 1</b>	<u>37,476</u>	<u>1,303</u>	<u>1,940</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 36,618</u>	<u>\$ 1,326</u>	<u>\$ 5,515</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 36,618	\$ 1,326	\$ 5,512
Cash and Travel Advances	-	-	3
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 36,618</u>	<u>\$ 1,326</u>	<u>\$ 5,515</u>

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 606,429	\$ 2,512	\$ 6,302	\$ 45,960	\$ 11,529	\$ 11	\$ 713,028
649,871	13,795	99,057	66,369	30,254	2,185	1,225,063
-	(511)	(3,822)	-	(2,829)	-	(10,039)
-	(4,889)	(68,897)	(8)	(27,981)	(7)	(142,735)
(67,432)	(3,224)	(11,407)	(10,444)	(3,511)	(46)	(412,100)
(1,104,289)	-	-	(74,875)	-	-	(1,179,164)
-	(1,127)	(12,067)	(1,545)	(6,919)	(1,956)	(51,921)
-	-	(9)	-	-	-	(9)
-	-	-	1	-	-	1
-	(10)	-	(10,564)	-	(144)	(11,216)
<u>84,579</u>	<u>6,546</u>	<u>9,157</u>	<u>14,894</u>	<u>543</u>	<u>43</u>	<u>130,908</u>
-	-	-	-	388	-	388
-	-	-	(1)	(112)	-	(1,113)
-	-	85	45	110	-	240
-	-	(425)	-	-	-	(7,930)
-	-	(340)	44	386	-	(8,415)
-	(4,636)	(13)	-	(399)	-	(8,357)
-	(4,449)	(5,721)	-	-	-	(10,762)
-	1,781	-	-	-	-	1,781
-	-	-	-	(1,500)	-	(1,500)
-	(7,304)	(5,734)	-	(1,899)	-	(18,838)
-	-	1	-	-	-	1
-	-	1	-	-	-	1
84,579	(758)	3,084	14,938	(970)	43	103,656
43,921	5,625	28,035	163,421	7,902	423	290,046
<u>\$ 128,500</u>	<u>\$ 4,867</u>	<u>\$ 31,119</u>	<u>\$ 178,359</u>	<u>\$ 6,932</u>	<u>\$ 466</u>	<u>\$ 393,702</u>
\$ 128,500	\$ 4,867	\$ 31,119	\$ 178,359	\$ 6,931	\$ 466	\$ 393,698
-	-	-	-	1	-	4
<u>\$ 128,500</u>	<u>\$ 4,867</u>	<u>\$ 31,119</u>	<u>\$ 178,359</u>	<u>\$ 6,932</u>	<u>\$ 466</u>	<u>\$ 393,702</u>

Continued on next page

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

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ 5,219	\$ (613)	\$ (1,486)
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation	4,125	1,297	1,556
Miscellaneous Nonoperating Income	-	-	147
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	312	-	3,433
(Increase) Decrease in Due from Other Funds	(2,362)	-	442
(Increase) Decrease in Due from External Parties (Fiduciary Funds)	-	-	-
(Increase) Decrease in Due from Component Units	-	-	-
(Increase) Decrease in Other Assets	376	-	4
(Increase) Decrease in Inventory	-	-	3,234
(Increase) Decrease in Prepaid Items	(3,801)	-	(31)
Increase (Decrease) in Accounts Payable	(178)	398	(201)
Increase (Decrease) in Amounts Due to Other Governments	574	-	3
Increase (Decrease) in Due to Other Funds	7	5	54
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	10	8	7
Increase (Decrease) in Unearned Revenue	1,069	-	(2,404)
Increase (Decrease) in Other Liabilities	-	-	1
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(154)	103	15
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	2,130	1,199	648
Net Cash Provided by (Used for) Operating Activities	<u>\$ 7,327</u>	<u>\$ 2,397</u>	<u>\$ 5,422</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
The following transactions occurred prior to the Statement of Net Position date:			
Installment Purchases Used to Finance Capital Assets	\$ -	\$ -	\$ -
Capital Asset Addition Included in Accounts Payable	-	1,918	-
Other	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 1,918</u>	<u>\$ -</u>

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 90,825	\$ 154	\$ 5,066	\$ 8,605	\$ (1,883)	\$ (267)	\$ 105,620
-	6,187	1,637	12	811	4	15,629
-	-	-	-	-	-	147
(112)	14	1,173	(60)	341	-	5,101
(4,177)	49	230	-	(371)	-	(6,189)
(33)	-	-	-	-	-	(33)
(3,087)	-	-	-	-	-	(3,087)
-	-	-	-	-	-	380
-	(6)	(99)	-	1,000	-	4,129
-	-	(354)	(438)	68	(3)	(4,559)
(7,295)	557	119	1,171	(219)	17	(5,631)
-	-	(39)	-	-	-	538
-	(2)	(422)	1	257	3	(97)
-	1	5	11	4	2	48
-	(504)	665	9,377	(3)	-	8,200
-	-	233	(5,778)	56	-	(5,488)
8,458	-	-	(2,883)	-	-	5,575
-	-	-	4,641	-	-	4,641
-	6	13	30	8	18	39
-	90	930	205	474	269	5,945
<u>\$ 84,579</u>	<u>\$ 6,546</u>	<u>\$ 9,157</u>	<u>\$ 14,894</u>	<u>\$ 543</u>	<u>\$ 43</u>	<u>\$ 130,908</u>
\$ -	\$ 5,392	\$ -	\$ -	\$ -	\$ -	\$ 5,392
-	246	-	-	-	-	2,164
-	-	-	-	(43)	-	(43)
<u>\$ -</u>	<u>\$ 5,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ -</u>	<u>\$ 7,513</u>

# Fiduciary Funds

## Private Purpose Trust Funds

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

**Unclaimed Property** accounts for unclaimed and escheat property that the state holds for its rightful owner.

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

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

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

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

**Gas and Oil Board 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 Accounts.*

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

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

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

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

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

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

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

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

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

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

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

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

**Virginia Local Disability Program** provides long-term disability benefits to local government employees.

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## Investment Trust Fund

*Investment Trust Fund reflects the external portion of the local government investment pool sponsored by the Commonwealth.*

**Local Government Investment Pool (LGIP)** helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

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## Agency Funds

*Agency Funds report those funds for which the Commonwealth acts solely in a custodial capacity.*

**Funds for the Collection of Taxes and Fees** account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

**Employee Benefits Fund** accounts for undistributed withholdings for employee benefits.

**Contractor Deposits Fund** accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, motor fuel retailers and localities to ensure performance meets regulatory standards.

**Deposits of Insurance Carriers Fund** accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

**Inmate and Ward Fund** accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

**Child Support Collection Fund** accounts for court-ordered child support payments that flow through the Department of Social Services.

**Behavioral Health Patient Fund** accounts for the savings of patients in the Commonwealth's behavioral health facilities.

**Behavioral Health Non-patient Fund** accounts for the savings of non-patients in the Commonwealth's behavioral health facilities.

**Comptroller's Debt Setoff Fund** accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

**Unclaimed Property of Other States Fund** accounts for unclaimed property that is due to other states.

**Legal Settlement Fund** accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

**Consumer Services Fund** accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund.

**State Asset Forfeiture Fund** accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

**Virginia School for the Deaf and the Blind Fund** accounts for student funds used to establish new activities for students.

**Woodrow Wilson Rehabilitation Center Fund** accounts for student funds held by the center.

**Third Party Administrator Fund** accounts for funds held in custody for assets of the Virginia Railway Express and the van pool insurance program.

**Department of Environmental Quality Fund** accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

**Virginia Veterans' Care Center Resident Fund** accounts for the savings of residents of the Virginia Veterans Care Center.

**Virginia Individual Development Account Trust Fund** accounts for funds used to benefit low income individuals and to assist them in purchasing affordable housing.

**E-Payables Fund** accounts for payments to vendors which are held in a suspense status until the electronic payment is processed.

**Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds**

June 30, 2014

(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Fund	Loan Servicing Reserve
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents	\$ 61,066	\$ 19,786	\$ 189
Investments:			
Bonds and Mortgage Securities	124	78,023	-
Stocks	398,259	99,618	-
Index and Pooled Funds	1,888	1,474,324	-
Real Estate	2,123	-	-
Mutual and Money Market Funds	100,458	667,184	-
Other	1,592	476,361	-
Total Investments	<u>504,444</u>	<u>2,795,510</u>	<u>-</u>
Receivables, Net:			
Accounts	-	2	-
Interest and Dividends	-	1,806	-
Total Receivables	<u>-</u>	<u>1,808</u>	<u>-</u>
Prepaid Items	225	-	-
Total Assets	<u>565,735</u>	<u>2,817,104</u>	<u>189</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>565,735</u>	<u>2,817,104</u>	<u>189</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable and Accrued Expenses	452	2,536	-
Due to Other Funds	58	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	25	-	-
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	3,892	-
Compensated Absences Payable	283	-	-
Insurance Premiums and Claims Payable	69	-	-
Pension Liability	1,424	-	-
Other Postemployment Benefits (OPEB) Liability	526	-	-
Total Liabilities	<u>2,837</u>	<u>6,428</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	<u>2,837</u>	<u>6,428</u>	<u>-</u>
Net Position Held in Trust for Pension/Other Employment Benefits	<u>\$ 562,898</u>	<u>\$ 2,810,676</u>	<u>\$ 189</u>

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Gas and Oil Board Escrow Account</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ 248	\$ 5,489	\$ 28,798	\$ 66	\$ 115,642
-	-	-	-	78,147
-	-	-	-	497,877
-	-	-	-	1,476,212
-	-	-	-	2,123
-	-	-	-	767,642
-	15	-	-	477,968
-	15	-	-	3,299,969
-	6	-	-	8
-	-	-	-	1,806
-	6	-	-	1,814
-	-	-	-	225
248	5,510	28,798	66	3,417,650
-	-	-	-	-
248	5,510	28,798	66	3,417,650
-	203	-	-	3,191
-	-	-	-	58
-	-	-	-	25
-	492	-	-	492
-	-	-	-	3,892
-	3	-	-	286
-	-	-	-	69
-	49	-	-	1,473
-	18	-	-	544
-	765	-	-	10,030
-	-	-	-	-
-	765	-	-	10,030
<u>\$ 248</u>	<u>\$ 4,745</u>	<u>\$ 28,798</u>	<u>\$ 66</u>	<u>\$ 3,407,620</u>

## Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds

For the Fiscal Year June 30, 2014

(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Fund	Loan Servicing Reserve
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income	\$ -	\$ 327,248	\$ -
<b>Total Investment Income</b>	<b>-</b>	<b>327,248</b>	<b>-</b>
Less Investment Expenses	-	4,462	-
<b>Net Investment Income</b>	<b>-</b>	<b>322,786</b>	<b>-</b>
Proceeds from Unclaimed Property	184,219	-	-
<b>Contributions:</b>			
Participants	-	353,154	-
<b>Total Contributions</b>	<b>-</b>	<b>353,154</b>	<b>-</b>
Other Revenue	-	-	-
<b>Total Additions</b>	<b>184,219</b>	<b>675,940</b>	<b>-</b>
<b>Deductions:</b>			
Loan Servicing Payments	-	-	-
Educational Expense Benefits	-	148,333	-
Insurance Premiums and Claims	32,728	-	-
Trust Payments	-	-	-
Administrative Expenses	7,015	1,381	-
Shares Redeemed	-	17,414	-
<b>Total Deductions</b>	<b>39,743</b>	<b>167,128</b>	<b>-</b>
Net Increase (Decrease)	144,476	508,812	-
Net Position Held in Trust for Pension/Other Employment Benefits			
<b>July 1</b>	<b>418,422</b>	<b>2,301,864</b>	<b>189</b>
<b>June 30</b>	<b>\$ 562,898</b>	<b>\$ 2,810,676</b>	<b>\$ 189</b>

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Gas and Oil Board Escrow Account</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ -	\$ 34	\$ 79	\$ -	\$ 327,361
-	34	79	-	327,361
-	-	28	-	4,490
-	34	51	-	322,871
-	-	-	-	184,219
-	-	2,225	-	355,379
-	-	2,225	-	355,379
-	-	1	-	1
-	34	2,277	-	862,470
1	266	-	-	267
-	-	-	-	148,333
-	-	-	-	32,728
-	-	1,318	-	1,318
3	130	-	-	8,529
-	-	-	-	17,414
4	396	1,318	-	208,589
(4)	(362)	959	-	653,881
252	5,107	27,839	66	2,753,739
\$ 248	\$ 4,745	\$ 28,798	\$ 66	\$ 3,407,620

**Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds**

June 30, 2014

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents	\$ 251,949	\$ 2,931	\$ 1,797
Investments:			
Bonds and Mortgage Securities	18,763,405	218,244	133,814
Stocks	23,350,490	271,598	166,526
Fixed Income Commingled Funds	619,540	7,205	4,418
Index and Pooled Funds	5,794,966	67,404	41,327
Real Estate	5,800,221	67,465	41,365
Private Equity	8,400,508	97,710	59,909
Short-term Investments	138,443	1,610	987
Hybrid Defined Contribution Investments	1,213	-	-
Other	5,658,034	65,811	40,351
Total Investments	<u>68,526,820</u>	<u>797,047</u>	<u>488,697</u>
Receivables, Net:			
Contributions	207,186	1,301	1,149
Interest and Dividends	201,682	2,346	1,438
Security Transactions	1,222,015	14,213	8,715
Other Receivables	13,623	143	88
Total Receivables	<u>1,644,506</u>	<u>18,003</u>	<u>11,390</u>
Due from Other Funds	56	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities)	19,132	119	106
Due from Component Units	18,184	-	-
Furniture and Equipment	30,426	-	-
Total Assets	<u>70,491,073</u>	<u>818,100</u>	<u>501,990</u>
<b>Deferred Outflows of Resources</b>	-	-	-
Total Assets and Deferred Outflows of Resources	<u>70,491,073</u>	<u>818,100</u>	<u>501,990</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable and Accrued Expenses	27,916	298	183
Due to Other Funds	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	169	-	-
Obligations Under Securities Lending Program	5,657,953	65,810	40,350
Other Liabilities	111,030	1,269	778
Retirement Benefits Payable	294,680	4,630	3,108
Refunds Payable	4,207	24	-
Compensated Absences Payable	2,275	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	2,183,982	25,079	15,377
Pension Liability	13,707	135	82
Other Postemployment Benefits (OPEB) Liability	5,135	48	29
Total Liabilities	<u>8,301,054</u>	<u>97,293</u>	<u>59,907</u>
<b>Deferred Inflows of Resources</b>	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>8,301,054</u>	<u>97,293</u>	<u>59,907</u>
Net Position Held in Trust for Pension/Other Employment Benefits	<u>\$ 62,190,019</u>	<u>\$ 720,807</u>	<u>\$ 442,083</u>

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Postemployment Retiree Health Insurance Credit	Other Employment Group Life	Other Postemployment Disability Insurance Trust Fund
\$ 4,672	\$ -	\$ -	\$ -	\$ 667	\$ 4,490	\$ 1,631
347,951	4,639	257	12	49,689	334,391	121,502
433,015	6,375	33	89	61,837	416,139	151,205
11,489	-	-	-	1,641	11,042	4,012
107,463	-	-	-	15,346	103,275	37,525
107,560	-	-	-	15,360	103,368	37,559
155,780	-	-	-	22,246	149,709	54,397
2,567	-	-	-	367	2,467	896
-	-	-	-	-	-	-
104,923	-	-	-	14,984	100,834	36,638
1,270,748	11,014	290	101	181,470	1,221,225	443,734
2,702	-	-	-	12,645	15,611	422
3,740	-	-	-	534	3,594	1,306
22,661	-	-	-	3,236	21,778	7,913
220	-	-	-	42	209	6,729
29,323	-	-	-	16,457	41,192	16,370
-	-	-	-	1	8,292	-
245	-	-	-	1,157	1,428	38
349	-	-	-	2,983	2,741	478
-	-	-	-	-	-	-
1,305,337	11,014	290	101	202,735	1,279,368	462,251
-	-	-	-	-	-	-
1,305,337	11,014	290	101	202,735	1,279,368	462,251
475	-	-	-	11,567	457	849
-	-	-	-	-	-	-
-	-	-	-	-	-	-
104,922	-	-	-	14,983	100,833	36,638
2,023	-	-	-	289	1,944	706
7,356	-	-	-	-	-	-
128	-	-	-	138	6	-
-	-	-	-	-	-	-
-	-	-	-	-	58,388	-
39,984	-	-	-	5,710	38,425	13,962
182	-	-	-	209	224	331
73	-	-	-	79	64	122
155,143	-	-	-	32,975	200,341	52,608
-	-	-	-	-	-	-
155,143	-	-	-	32,975	200,341	52,608
\$ 1,150,194	\$ 11,014	\$ 290	\$ 101	\$ 169,760	\$ 1,079,027	\$ 409,643

Continued on next page

**Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds**  
*(Continued from previous page)*

June 30, 2014

(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Virginia Local Disability Program
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents	\$ -	\$ 28	\$ -
Investments:			
Bonds and Mortgage Securities	25	2,073	-
Stocks	2,911	2,581	-
Fixed Income Commingled Funds	-	68	-
Index and Pooled Funds	-	640	-
Real Estate	-	641	-
Private Equity	-	929	-
Short-term Investments	-	15	-
Hybrid Defined Contribution Investments	-	-	-
Other	-	625	-
Total Investments	<u>2,936</u>	<u>7,572</u>	<u>-</u>
Receivables, Net:			
Contributions	-	1,269	374
Interest and Dividends	-	22	-
Security Transactions	-	135	-
Other Receivables	-	241	10
Total Receivables	<u>-</u>	<u>1,667</u>	<u>384</u>
Due from Other Funds	-	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities)	-	-	33
Due from Component Units	-	-	-
Furniture and Equipment	-	-	-
Total Assets	<u>2,936</u>	<u>9,267</u>	<u>417</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>2,936</u>	<u>9,267</u>	<u>417</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable and Accrued Expenses	-	3	-
Due to Other Funds	-	8,291	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-
Obligations Under Securities Lending Program	-	625	-
Other Liabilities	-	12	393
Retirement Benefits Payable	-	-	-
Refunds Payable	-	-	-
Compensated Absences Payable	-	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	-	238	-
Pension Liability	-	67	17
Other Postemployment Benefits (OPEB) Liability	-	31	7
Total Liabilities	<u>-</u>	<u>9,267</u>	<u>417</u>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>9,267</u>	<u>417</u>
Net Position Held in Trust for Pension/Other Employment Benefits	<u>\$ 2,936</u>	<u>\$ -</u>	<u>\$ -</u>

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<b>Total</b>	
\$	268,165
	19,976,002
	24,862,799
	659,415
	6,167,946
	6,173,539
	8,941,188
	147,352
	1,213
	6,022,200
	72,951,654
	242,659
	214,662
	1,300,666
	21,305
	1,779,292
	8,349
	22,258
	24,735
	30,426
	75,084,879
	-
	75,084,879
	41,748
	8,291
	169
	6,022,114
	118,444
	309,774
	4,503
	2,275
	58,388
	2,322,757
	14,954
	5,588
	8,909,005
	-
	8,909,005
\$	66,175,874

## Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income	\$ 8,898,591	\$ 102,608	\$ 63,247
<b>Total Investment Income</b>	<b>8,898,591</b>	<b>102,608</b>	<b>63,247</b>
Less Investment Expenses	339,832	3,926	2,414
<b>Net Investment Income</b>	<b>8,558,759</b>	<b>98,682</b>	<b>60,833</b>
<b>Contributions:</b>			
Member	795,557	5,646	3,051
Employer	1,737,137	42,683	27,727
<b>Total Contributions</b>	<b>2,532,694</b>	<b>48,329</b>	<b>30,778</b>
Other Revenue	460	-	-
<b>Total Additions</b>	<b>11,091,913</b>	<b>147,011</b>	<b>91,611</b>
<b>Deductions:</b>			
Retirement Benefits	3,711,208	50,467	37,984
Refunds to Former Members	98,049	685	-
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	-	-
Administrative Expenses	43,052	382	239
Other Expenses	6,745	78	47
Long-term Disability Benefits	-	-	-
<b>Total Deductions</b>	<b>3,859,054</b>	<b>51,612</b>	<b>38,270</b>
<b>Transfers:</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase</b>	<b>7,232,859</b>	<b>95,399</b>	<b>53,341</b>
<b>Net Position Held in Trust for Pension/Other Employment Benefits</b>			
<b>July 1</b>	<b>54,957,160</b>	<b>625,408</b>	<b>388,742</b>
<b>June 30</b>	<b>\$ 62,190,019</b>	<b>\$ 720,807</b>	<b>\$ 442,083</b>

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
\$ 163,016	\$ 1,660	\$ 30	\$ 18	\$ 20,713	\$ 152,662	\$ 58,819
163,016	1,660	30	18	20,713	152,662	58,819
6,230	-	-	-	791	5,797	2,246
156,786	1,660	30	18	19,922	146,865	56,573
17,908	1,075	91	-	-	122,678	-
67,483	-	-	-	146,742	82,908	17,391
85,391	1,075	91	-	146,742	205,586	17,391
-	-	-	-	-	-	302
242,177	2,735	121	18	166,664	352,451	74,266
78,412	1,112	-	-	-	-	-
4,665	-	-	-	-	-	-
-	-	-	-	142,610	-	-
-	-	-	-	-	159,358	-
603	12	-	-	501	298	601
124	-	-	-	15	1,276	44
-	-	-	-	-	-	33,681
83,804	1,124	-	-	143,126	160,932	34,326
-	-	-	-	-	-	-
-	-	-	-	-	-	(10)
-	-	-	-	-	-	(10)
158,373	1,611	121	18	23,538	191,519	39,930
991,821	9,403	169	83	146,222	887,508	369,713
\$ 1,150,194	\$ 11,014	\$ 290	\$ 101	\$ 169,760	\$ 1,079,027	\$ 409,643

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, 2014  
(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Virginia Local Disability Program
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income	\$ 390	\$ 1,497	\$ -
<b>Total Investment Income</b>	<b>390</b>	<b>1,497</b>	<b>-</b>
Less Investment Expenses	-	58	-
<b>Net Investment Income</b>	<b>390</b>	<b>1,439</b>	<b>-</b>
<b>Contributions:</b>			
Member	29	-	-
Employer	92	7,229	419
<b>Total Contributions</b>	<b>121</b>	<b>7,229</b>	<b>419</b>
Other Revenue	-	10	24
<b>Total Additions</b>	<b>511</b>	<b>8,678</b>	<b>443</b>
<b>Deductions:</b>			
Retirement Benefits	-	-	-
Refunds to Former Members	32	-	-
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	7,824	-
Administrative Expenses	-	136	314
Other Expenses	-	718	-
Long-term Disability Benefits	-	-	139
<b>Total Deductions</b>	<b>32</b>	<b>8,678</b>	<b>453</b>
<b>Transfers:</b>			
Transfers In	-	-	10
Transfers Out	-	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>10</b>
<b>Net Increase</b>	<b>479</b>	<b>-</b>	<b>-</b>
<b>Net Position Held in Trust for Pension/Other Employment Benefits</b>			
<b>July 1</b>	<b>2,457</b>	<b>-</b>	<b>-</b>
<b>June 30</b>	<b>\$ 2,936</b>	<b>\$ -</b>	<b>\$ -</b>

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<b>Total</b>	
\$	9,463,251
	9,463,251
	361,294
	9,101,957
	946,035
	2,129,811
	3,075,846
	796
	12,178,599
	3,879,183
	103,431
	142,610
	167,182
	46,138
	9,047
	33,820
	4,381,411
	10
	(10)
	-
	7,797,188
	58,378,686
\$	66,175,874

**Combining Statement of Fiduciary Net Position – Investment Trust Fund**

June 30, 2014

(Dollars in Thousands)

	<b>Local Government Investment Pool (LGIP)</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>		
Cash and Cash Equivalents	\$ 1,263,982	\$ 1,263,982
Investments:		
Bonds and Mortgage Securities	112,371	112,371
Short-term Investments	1,350,692	1,350,692
<b>Total Investments</b>	<b>1,463,063</b>	<b>1,463,063</b>
Receivables, Net:		
Interest and Dividends	506	506
Total Receivables	506	506
<b>Total Assets</b>	<b>2,727,551</b>	<b>2,727,551</b>
<b>Deferred Outflows of Resources</b>	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>2,727,551</b>	<b>2,727,551</b>
<b>Liabilities and Deferred Inflows of Resources</b>		
Due to Internal Parties (Governmental Funds and Business-type Activities)	300	300
<b>Total Liabilities</b>	<b>300</b>	<b>300</b>
<b>Deferred Inflows of Resources</b>	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>300</b>	<b>300</b>
Net Position Held in Trust for Pool Participants	<u>\$ 2,727,251</u>	<u>\$ 2,727,251</u>

**Combining Statement of Changes in Fiduciary Net Position - Investment Trust Fund**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	<b>Local Government Investment Pool (LGIP)</b>	<b>Total</b>
<b>Additions:</b>		
<b>Investment Income:</b>		
Interest, Dividends, and Other Investment Income	\$ 1,996	\$ 1,996
Distributions to Shareholders from Net Investment Income	(1,996)	(1,996)
Total Investment Income	-	-
Net Investment Income	-	-
Shares Sold	4,254,179	4,254,179
Reinvested Distributions	1,990	1,990
Total Additions	4,256,169	4,256,169
<b>Deductions:</b>		
Shares Redeemed	3,865,494	3,865,494
Total Deductions	3,865,494	3,865,494
Net Increase	390,675	390,675
Net Position Held in Trust for Pool Participants		
<b>July 1</b>	2,336,576	2,336,576
<b>June 30</b>	<u>\$ 2,727,251</u>	<u>\$ 2,727,251</u>

**Combining Statement of Fiduciary Net Position – Agency Funds**

June 30, 2014

(Dollars in Thousands)

	Funds for the Collection of Taxes and Fees	Employee Benefits	Contractor Deposits	Deposits of Insurance Carriers
<b>Assets</b>				
Cash and Cash Equivalents	\$ 163,432	\$ 3,296	\$ 33,275	\$ 39,201
Investments:				
Short-term Investments	3	-	23	57,810
Other	-	-	-	341,572
Total Investments	3	-	23	399,382
Receivables, Net:				
Accounts	80,680	-	-	34
Total Receivables	80,680	-	-	34
Other Assets	-	-	-	-
Total Assets	\$ 244,115	\$ 3,296	\$ 33,298	\$ 438,617
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ 3,296	\$ -	\$ -
Amounts Due to Other Governments	244,022	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-	-
Obligations Under Securities Lending Program	93	-	742	-
Other Liabilities	-	-	32,556	438,617
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	\$ 244,115	\$ 3,296	\$ 33,298	\$ 438,617

<u>Inmate and Ward</u>	<u>Child Support Collection</u>	<u>Behavioral Health Patient</u>	<u>Behavioral Health Non-Patient</u>	<u>Comptroller's Debt Setoff</u>	<u>Unclaimed Property of Other States</u>	<u>Legal Settlement</u>	<u>Consumer Services</u>
\$ 14,017	\$ 16,263	\$ 1,494	\$ 38	\$ 999	\$ 8,984	\$ 13,139	\$ 1,408
-	-	-	-	-	-	3	-
-	-	106	-	-	-	-	-
-	-	106	-	-	-	3	-
419	-	-	-	-	-	-	-
419	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 14,436	\$ 16,263	\$ 1,600	\$ 38	\$ 999	\$ 8,984	\$ 13,142	\$ 1,408
\$ 2,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2
-	-	-	-	-	8,984	-	-
147	-	-	-	-	-	-	-
-	-	-	-	-	-	97	-
11,943	16,263	1,600	38	999	-	13,045	1,406
-	-	-	-	-	-	-	-
\$ 14,436	\$ 16,263	\$ 1,600	\$ 38	\$ 999	\$ 8,984	\$ 13,142	\$ 1,408

Continued on next page

**Combining Statement of Fiduciary Net Position – Agency Funds** (Continued from previous page)

June 30, 2014

(Dollars in Thousands)

	State Asset Forfeiture	Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Third Party Administrator
<b>Assets</b>				
Cash and Cash Equivalents	\$ 8,861	\$ 19	\$ 4	\$ 12,007
Investments:				
Short-term Investments	5	-	-	-
Other	-	-	-	-
Total Investments	5	-	-	-
Receivables, Net:				
Accounts	-	-	-	4
Total Receivables	-	-	-	4
Other Assets	-	-	-	33
Total Assets	<u>\$ 8,866</u>	<u>\$ 19</u>	<u>\$ 4</u>	<u>\$ 12,044</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ 2
Amounts Due to Other Governments	-	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-	-
Obligations Under Securities Lending Program	149	-	-	-
Other Liabilities	8,717	19	4	11,707
Insurance Premiums and Claims Payable	-	-	-	335
Total Liabilities	<u>\$ 8,866</u>	<u>\$ 19</u>	<u>\$ 4</u>	<u>\$ 12,044</u>

Department of Environmental Quality	Virginia Veterans' Care Center Resident Fund	Virginia Individual Development Account Trust Fund	E-Payables	Total
\$ 128	\$ 134	\$ -	\$ 18,497	\$ 335,196
-	-	-	-	57,844
-	-	-	-	341,678
-	-	-	-	399,522
-	-	-	-	81,137
-	-	-	-	81,137
-	-	-	-	33
\$ 128	\$ 134	\$ -	\$ 18,497	\$ 815,888
\$ -	\$ -	\$ -	\$ -	\$ 5,646
-	-	-	-	253,006
-	-	-	-	147
-	-	-	-	1,081
128	134	-	18,497	555,673
-	-	-	-	335
\$ 128	\$ 134	\$ -	\$ 18,497	\$ 815,888

## Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Funds for the Collection of Taxes and Fees</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 155,627	\$ 1,224,605	\$ 1,216,800	\$ 163,432
Short-term Investments	3	3	3	3
Accounts Receivable	70,735	80,680	70,735	80,680
<b>Total Assets</b>	<b>\$ 226,365</b>	<b>\$ 1,305,288</b>	<b>\$ 1,287,538</b>	<b>\$ 244,115</b>
<b>Liabilities:</b>				
Amounts Due to Other Governments	\$ 226,275	\$ 1,305,195	\$ 1,287,448	\$ 244,022
Obligations Under Securities Lending Program	90	93	90	93
<b>Total Liabilities</b>	<b>\$ 226,365</b>	<b>\$ 1,305,288</b>	<b>\$ 1,287,538</b>	<b>\$ 244,115</b>
<b>Employee Benefits</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,865	\$ 210,542	\$ 210,111	\$ 3,296
<b>Total Assets</b>	<b>\$ 2,865</b>	<b>\$ 210,542</b>	<b>\$ 210,111</b>	<b>\$ 3,296</b>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 2,865	\$ 210,542	\$ 210,111	\$ 3,296
<b>Total Liabilities</b>	<b>\$ 2,865</b>	<b>\$ 210,542</b>	<b>\$ 210,111</b>	<b>\$ 3,296</b>
<b>Contractor Deposits</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 30,866	\$ 12,861	\$ 10,452	\$ 33,275
Short-term Investments	36	23	36	23
<b>Total Assets</b>	<b>\$ 30,902</b>	<b>\$ 12,884</b>	<b>\$ 10,488</b>	<b>\$ 33,298</b>
<b>Liabilities:</b>				
Obligations Under Securities Lending Program	\$ 707	\$ 742	\$ 707	\$ 742
Other Liabilities	30,195	12,142	9,781	32,556
<b>Total Liabilities</b>	<b>\$ 30,902</b>	<b>\$ 12,884</b>	<b>\$ 10,488</b>	<b>\$ 33,298</b>
<b>Deposits of Insurance Carriers</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 34,268	\$ 28,823	\$ 23,890	\$ 39,201
Short-term Investments	73,355	57,811	73,356	57,810
Other Investments	326,785	36,287	21,500	341,572
Accounts Receivable	40	659	665	34
<b>Total Assets</b>	<b>\$ 434,448</b>	<b>\$ 123,580</b>	<b>\$ 119,411</b>	<b>\$ 438,617</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 434,448	\$ 123,580	\$ 119,411	\$ 438,617
<b>Total Liabilities</b>	<b>\$ 434,448</b>	<b>\$ 123,580</b>	<b>\$ 119,411</b>	<b>\$ 438,617</b>
<b>Inmate and Ward</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,959	\$ 2,167	\$ 109	\$ 14,017
Accounts Receivable	241	186	8	419
<b>Total Assets</b>	<b>\$ 12,200</b>	<b>\$ 2,353</b>	<b>\$ 117</b>	<b>\$ 14,436</b>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 2,378	\$ 175	\$ 207	\$ 2,346
Due to Internal Parties (Governmental Funds and Business-type Activities)	91	56	-	147
Other Liabilities	9,731	2,329	117	11,943
<b>Total Liabilities</b>	<b>\$ 12,200</b>	<b>\$ 2,560</b>	<b>\$ 324</b>	<b>\$ 14,436</b>

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Child Support Collection</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 13,786	\$ 655,825	\$ 653,348	\$ 16,263
<b>Total Assets</b>	<b>\$ 13,786</b>	<b>\$ 655,825</b>	<b>\$ 653,348</b>	<b>\$ 16,263</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 13,786	\$ 655,825	\$ 653,348	\$ 16,263
<b>Total Liabilities</b>	<b>\$ 13,786</b>	<b>\$ 655,825</b>	<b>\$ 653,348</b>	<b>\$ 16,263</b>
<b>Behavioral Health Patient</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,003	\$ 3,160	\$ 3,669	\$ 1,494
Other Investments	86	20	-	106
<b>Total Assets</b>	<b>\$ 2,089</b>	<b>\$ 3,180</b>	<b>\$ 3,669</b>	<b>\$ 1,600</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 2,089	\$ 3,180	\$ 3,669	\$ 1,600
<b>Total Liabilities</b>	<b>\$ 2,089</b>	<b>\$ 3,180</b>	<b>\$ 3,669</b>	<b>\$ 1,600</b>
<b>Behavioral Health Non-Patient</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 31	\$ 22	\$ 15	\$ 38
<b>Total Assets</b>	<b>\$ 31</b>	<b>\$ 22</b>	<b>\$ 15</b>	<b>\$ 38</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 31	\$ 22	\$ 15	\$ 38
<b>Total Liabilities</b>	<b>\$ 31</b>	<b>\$ 22</b>	<b>\$ 15</b>	<b>\$ 38</b>
<b>Comptroller's Debt Setoff</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,339	\$ 16,594	\$ 16,934	\$ 999
<b>Total Assets</b>	<b>\$ 1,339</b>	<b>\$ 16,594</b>	<b>\$ 16,934</b>	<b>\$ 999</b>
<b>Liabilities:</b>				
Due to Internal Parties (Governmental Funds and Business-type Activities)	\$ 65	\$ -	\$ 65	\$ -
Other Liabilities	1,274	16,594	16,869	999
<b>Total Liabilities</b>	<b>\$ 1,339</b>	<b>\$ 16,594</b>	<b>\$ 16,934</b>	<b>\$ 999</b>
<b>Unclaimed Property of Other States</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 8,332	\$ 8,984	\$ 8,332	\$ 8,984
<b>Total Assets</b>	<b>\$ 8,332</b>	<b>\$ 8,984</b>	<b>\$ 8,332</b>	<b>\$ 8,984</b>
<b>Liabilities:</b>				
Amounts Due to Other Governments	\$ 8,332	\$ 8,984	\$ 8,332	\$ 8,984
<b>Total Liabilities</b>	<b>\$ 8,332</b>	<b>\$ 8,984</b>	<b>\$ 8,332</b>	<b>\$ 8,984</b>
<b>Legal Settlement</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,141	\$ 37,691	\$ 26,693	\$ 13,139
Short-term Investments	8	3	8	3
<b>Total Assets</b>	<b>\$ 2,149</b>	<b>\$ 37,694</b>	<b>\$ 26,701</b>	<b>\$ 13,142</b>
<b>Liabilities:</b>				
Obligations Under Securities Lending Program	\$ 165	\$ 97	\$ 165	\$ 97
Other Liabilities	1,984	37,597	26,536	13,045
<b>Total Liabilities</b>	<b>\$ 2,149</b>	<b>\$ 37,694</b>	<b>\$ 26,701</b>	<b>\$ 13,142</b>

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, 2014

(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Consumer Services</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,165	\$ 409	\$ 166	\$ 1,408
Total Assets	<u>\$ 1,165</u>	<u>\$ 409</u>	<u>\$ 166</u>	<u>\$ 1,408</u>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 1	\$ 25	\$ 24	\$ 2
Other Liabilities	1,164	384	142	1,406
Total Liabilities	<u>\$ 1,165</u>	<u>\$ 409</u>	<u>\$ 166</u>	<u>\$ 1,408</u>
<b>State Asset Forfeiture</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 7,875	\$ 6,701	\$ 5,715	\$ 8,861
Short-term Investments	6	5	6	5
Total Assets	<u>\$ 7,881</u>	<u>\$ 6,706</u>	<u>\$ 5,721</u>	<u>\$ 8,866</u>
<b>Liabilities:</b>				
Obligations Under Securities Lending Program	\$ 113	\$ 149	\$ 113	\$ 149
Other Liabilities	7,768	6,557	5,608	8,717
Total Liabilities	<u>\$ 7,881</u>	<u>\$ 6,706</u>	<u>\$ 5,721</u>	<u>\$ 8,866</u>
<b>Virginia School for the Deaf and the Blind</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 21	\$ 6	\$ 8	\$ 19
Total Assets	<u>\$ 21</u>	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ 19</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 21	\$ 6	\$ 8	\$ 19
Total Liabilities	<u>\$ 21</u>	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ 19</u>
<b>Woodrow Wilson Rehabilitation Center</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 3	\$ 16	\$ 15	\$ 4
Total Assets	<u>\$ 3</u>	<u>\$ 16</u>	<u>\$ 15</u>	<u>\$ 4</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 3	\$ 16	\$ 15	\$ 4
Total Liabilities	<u>\$ 3</u>	<u>\$ 16</u>	<u>\$ 15</u>	<u>\$ 4</u>
<b>Third Party Administrator</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,608	\$ 4,514	\$ 4,115	\$ 12,007
Accounts Receivable	5	4	5	4
Other Assets	49	-	16	33
Total Assets	<u>\$ 11,662</u>	<u>\$ 4,518</u>	<u>\$ 4,136</u>	<u>\$ 12,044</u>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 1	\$ 2	\$ 1	\$ 2
Other Liabilities	11,066	4,496	3,855	11,707
Insurance Premiums and Claims Payable	595	-	260	335
Total Liabilities	<u>\$ 11,662</u>	<u>\$ 4,498</u>	<u>\$ 4,116</u>	<u>\$ 12,044</u>

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Department of Environmental Quality</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 128	\$ -	\$ -	\$ 128
<b>Total Assets</b>	<b>\$ 128</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 128</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 128	\$ -	\$ -	\$ 128
<b>Total Liabilities</b>	<b>\$ 128</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 128</b>
<b>Virginia Veterans' Care Center Resident Fund</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 142	\$ 887	\$ 895	\$ 134
<b>Total Assets</b>	<b>\$ 142</b>	<b>\$ 887</b>	<b>\$ 895</b>	<b>\$ 134</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 142	\$ 887	\$ 895	\$ 134
<b>Total Liabilities</b>	<b>\$ 142</b>	<b>\$ 887</b>	<b>\$ 895</b>	<b>\$ 134</b>
<b>Virginia Individual Development Account Trust Fund</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 17	\$ 17	\$ -
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 17</b>	<b>\$ 17</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Other Liabilities	\$ -	\$ 17	\$ 17	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 17</b>	<b>\$ 17</b>	<b>\$ -</b>
<b>E-Payables</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 16,556	\$ 90,392	\$ 88,451	\$ 18,497
<b>Total Assets</b>	<b>\$ 16,556</b>	<b>\$ 90,392</b>	<b>\$ 88,451</b>	<b>\$ 18,497</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 16,556	\$ 90,392	\$ 88,451	\$ 18,497
<b>Total Liabilities</b>	<b>\$ 16,556</b>	<b>\$ 90,392</b>	<b>\$ 88,451</b>	<b>\$ 18,497</b>
<b>Totals - Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 300,715	\$ 2,304,216	\$ 2,269,735	\$ 335,196
Short-term Investments	73,408	57,845	73,409	57,844
Other Investments	326,871	36,307	21,500	341,678
Accounts Receivable	71,021	81,529	71,413	81,137
Other Assets	49	-	16	33
<b>Total Assets</b>	<b>\$ 772,064</b>	<b>\$ 2,479,897</b>	<b>\$ 2,436,073</b>	<b>\$ 815,888</b>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 5,245	\$ 210,744	\$ 210,343	\$ 5,646
Amounts Due to Other Governments	234,607	1,314,179	1,295,780	253,006
Due to Internal Parties (Governmental Funds and Business-type Activities)	156	56	65	147
Obligations Under Securities Lending Program	1,075	1,081	1,075	1,081
Other Liabilities	530,386	954,024	928,737	555,673
Insurance Premiums and Claims Payable	595	-	260	335
<b>Total Liabilities</b>	<b>\$ 772,064</b>	<b>\$ 2,480,084</b>	<b>\$ 2,436,260</b>	<b>\$ 815,888</b>

# 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

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**The Virginia Economic Development Partnership** works to enhance and increase the Commonwealth's commerce and trade.

**The Virginia Outdoors Foundation** promotes preservation and fundraising for the purchase of preservation land.

**The Virginia Port Authority** is empowered to maintain and operate Virginia's harbors and ports.

**The Virginia Tourism Authority** promotes tourism and film production industries of the Commonwealth.

**The Virginia Foundation for Healthy Youth** determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

**The Tobacco Indemnification and Community Revitalization Commission** determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

**The Hampton Roads Sanitation District Commission** operates a sewage system for 17 localities in the Chesapeake Bay Area.

**The Virginia Biotechnology Research Partnership Authority** assists in the development of a biotechnology research park.

**The Virginia Small Business Financing Authority** assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

**The Virginia School for the Deaf and Blind Foundation** operates exclusively for the benefit of the Virginia School for the Deaf and Blind.

**The Science Museum of Virginia Foundation** operates to implement and fund projects and operations of the Science Museum of Virginia.

**The Virginia Commercial Space Flight Authority** disseminates knowledge pertaining to scientific and technological research and development among public and private entities including, but not limited to, knowledge in the area of commercial space flight, and to promote industrial and economic development.

**The Danville Science Center, Inc.**, promotes programs, projects and operations to educate students.

**The Virginia Museum of Fine Arts Foundation** implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

**The A. L. Philpott Manufacturing Extension Partnership** promotes industrial expansion by providing consulting services to manufacturers.

**The Virginia Horse Center Foundation** operates for the benefit of the equine industry.

**The Virginia University Research Partnership** oversees the administration of grant payments for use by a non-profit, public benefit research institute that conducts research and development for government agencies, commercial businesses, foundations, and other organizations, as well as commercializes technology.

**The Fort Monroe Authority** assists in formulating a reuse plan for Fort Monroe.

**The Assistive Technology Loan Fund Authority** provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

**The Virginia Sesquicentennial of the American Civil War Foundation** was created to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War.

**The Virginia Land Conservation Foundation** acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

**The Virginia Arts Foundation** works to promote the arts in the Commonwealth.

**The Library of Virginia Foundation** promotes and supports the Library of Virginia.

**The Virginia Health Workforce Development Authority** provides assistance to the health professions.

## Combining Statement of Net Position – Nonmajor Component Units

June 30, 2014

(Dollars in Thousands)

	University of Virginia	Virginia Polytechnic Institute and State University	Virginia Commonwealth University	The College of William and Mary
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 671,381	\$ 256,426	\$ 501,173	\$ 53,089
Investments	7,152,938	267,543	1,646,790	56,839
Receivables, Net	338,672	131,082	335,063	19,761
Contributions Receivable, Net	70,491	82,568	42,529	35,924
Due from Primary Government	6,758	-	-	412
Due from Component Units	13,037	14,555	8,563	2,059
Inventory	23,660	17,332	24,031	549
Prepaid Items	26,272	18,672	12,104	2,482
Other Assets	21,301	9,967	49,503	1,910
Restricted Cash and Cash Equivalents	37,555	156,389	135,462	47,083
Restricted Investments	622,731	781,807	533,774	677,174
Other Restricted Assets	9,563	11,555	21,972	150,593
Nondepreciable Capital Assets	419,160	197,432	234,036	130,248
Depreciable Capital Assets, Net	3,070,141	1,662,671	1,419,449	656,442
<b>Total Assets</b>	<b>12,483,660</b>	<b>3,607,999</b>	<b>4,964,449</b>	<b>1,834,565</b>
<b>Deferred Outflows of Resources</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>12,519,733</b>	<b>3,614,796</b>	<b>5,024,052</b>	<b>1,839,709</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable	310,924	129,182	206,221	32,476
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	248	3,757	3,951	1,148
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	5,580	5,222	4,117	1,125
Unearned Revenue	100,549	45,287	33,652	14,234
Obligations Under Securities Lending Program	-	-	-	109
Other Liabilities	783,164	63,420	185,335	12,689
Loans Payable to Primary Government	-	-	-	-
Claims Payable:				
Due Within One Year	-	-	71,731	-
Due in More Than One Year	-	-	37,655	-
Long-term Liabilities:				
Due Within One Year	138,476	62,342	83,655	26,582
Due in More Than One Year	2,013,932	977,170	1,263,108	364,332
<b>Total Liabilities</b>	<b>3,352,873</b>	<b>1,286,380</b>	<b>1,889,425</b>	<b>452,695</b>
<b>Deferred Inflows of Resources</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>3,352,873</b>	<b>1,286,380</b>	<b>1,894,315</b>	<b>452,695</b>
<b>Net Position</b>				
Net Investment in Capital Assets	1,887,749	1,177,617	868,779	521,016
Restricted For:				
Nonexpendable:				
Higher Education	1,136,069	429,114	291,263	522,584
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Higher Education	3,706,271	581,702	365,813	334,744
Other	-	-	-	-
Unrestricted	2,436,771	139,983	1,603,882	8,670
<b>Total Net Position (Deficit)</b>	<b>\$ 9,166,860</b>	<b>\$ 2,328,416</b>	<b>\$ 3,129,737</b>	<b>\$ 1,387,014</b>

Virginia Military Institute	Virginia State University	Norfolk State University	University of Mary Washington	James Madison University	Radford University	Old Dominion University	George Mason University
\$ 21,257	\$ 22,944	\$ 29,590	\$ 18,281	\$ 151,004	\$ 94,371	\$ 122,372	\$ 163,402
84,501	928	18,897	3	13,555	5,885	24,776	12,753
4,059	7,148	7,064	4,597	8,324	5,832	84,957	37,413
20,401	207	393	2,575	2,766	1,863	23,889	21,148
-	404	443	420	2	-	979	-
1,698	6,532	8,196	4,390	6,363	5,029	5,430	5,074
6,140	-	-	542	956	464	732	1,430
1,038	2,987	542	897	10,617	2,928	2,178	5,355
51	91	1,538	1,158	32	5,263	248	5,075
2,791	15,310	5,537	40,844	37,003	17,949	15,295	57,181
298,617	44,030	8,637	42,304	82,381	51,210	189,496	126,092
5,822	-	-	-	4,860	429	-	12,878
14,234	38,065	54,627	95,128	118,224	76,358	66,223	159,186
229,311	221,310	194,530	310,398	781,284	185,361	541,183	1,178,655
689,920	359,956	329,994	521,537	1,217,371	452,942	1,077,758	1,785,642
1,013	3,319	62	981	2,388	-	5,072	9,188
690,933	363,275	330,056	522,518	1,219,759	452,942	1,082,830	1,794,830
5,923	9,039	10,130	15,153	39,368	20,925	43,503	62,286
1,334	-	-	-	-	-	-	12
274	352	412	323	1,395	588	1,049	1,381
-	-	-	-	-	-	4,103	-
183	261	304	133	2,230	200	886	2,019
1,393	2,672	3,141	1,307	12,826	4,258	13,889	48,546
1,143	1,502	2,759	97	8,301	7,218	4,679	7,954
3,326	3,850	3,706	4,344	13,045	4,795	15,581	21,570
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,205	8,160	7,291	7,195	15,953	3,658	26,662	41,923
82,655	169,347	112,677	296,047	343,222	82,306	384,947	958,657
98,436	195,183	140,420	324,599	436,340	123,948	495,299	1,144,348
-	-	-	-	-	-	-	-
98,436	195,183	140,420	324,599	436,340	123,948	495,299	1,144,348
228,764	135,311	169,878	189,146	671,997	232,748	356,926	542,965
132,060	18,226	8,687	32,989	52,423	25,216	135,459	83,161
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
167,907	29,647	16,534	17,755	47,351	41,692	110,146	70,188
-	-	-	-	-	-	-	-
63,766	(15,092)	(5,463)	(41,971)	11,648	29,338	(15,000)	(45,832)
\$ 592,497	\$ 168,092	\$ 189,636	\$ 197,919	\$ 783,419	\$ 328,994	\$ 587,531	\$ 650,482

Continued on next page

**Combining Statement of Net Position – Nonmajor Component Units (Continued from previous page)**

June 30, 2014

(Dollars in Thousands)

	Virginia Community College System	Christopher Newport University	Longwood University	Southwest Virginia Higher Education Center
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 232,291	\$ 30,682	\$ 58,366	\$ -
Investments	59,584	70	23,776	-
Receivables, Net	22,778	975	4,606	1,833
Contributions Receivable, Net	10,965	18,096	2,983	-
Due from Primary Government	1,316	5	42	-
Due from Component Units	15,406	4,769	1,457	65
Inventory	2,688	163	405	-
Prepaid Items	32,716	2,609	2,299	29
Other Assets	290	2,019	902	-
Restricted Cash and Cash Equivalents	45,043	1,725	5,095	-
Restricted Investments	152,436	22,194	40,069	-
Other Restricted Assets	-	1,101	-	-
Nondepreciable Capital Assets	124,162	60,029	54,321	886
Depreciable Capital Assets, Net	1,179,326	534,887	263,405	11,042
<b>Total Assets</b>	<b>1,879,001</b>	<b>679,324</b>	<b>457,726</b>	<b>13,855</b>
<b>Deferred Outflows of Resources</b>	<b>597</b>	<b>5,106</b>	<b>2,584</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,879,598</b>	<b>684,430</b>	<b>460,310</b>	<b>13,855</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable	67,377	12,398	9,713	337
Amounts Due to Other Governments	4,808	-	-	-
Due to Primary Government	2,958	378	363	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	2,153	145	132	16
Unearned Revenue	49,888	1,396	1,809	166
Obligations Under Securities Lending Program	88	1,822	4,418	-
Other Liabilities	11,358	4,772	6,528	-
Loans Payable to Primary Government	5,705	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	27,064	16,382	6,036	185
Due in More Than One Year	446,303	291,288	175,376	1,557
<b>Total Liabilities</b>	<b>617,702</b>	<b>328,581</b>	<b>204,375</b>	<b>2,261</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>617,702</b>	<b>328,581</b>	<b>204,375</b>	<b>2,261</b>
<b>Net Position</b>				
Net Investment in Capital Assets	1,185,651	325,295	172,900	11,334
Restricted For:				
Nonexpendable:				
Higher Education	69,444	18,929	35,274	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Higher Education	94,484	19,642	25,956	-
Other	-	-	-	-
Unrestricted	(87,683)	(8,017)	21,805	260
<b>Total Net Position (Deficit)</b>	<b>\$ 1,261,896</b>	<b>\$ 355,849</b>	<b>\$ 255,935</b>	<b>\$ 11,594</b>

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
\$ 2,392	\$ 9,462	\$ 3,777	\$ 714	\$ 3,623	\$ 1,301	\$ 1,022	\$ 70,587
-	-	302	-	991	-	-	129
4,594	729	159	828	-	1,054	1,346	72,028
-	-	-	-	1,615	-	-	-
-	-	-	-	-	300	-	500
25	-	185	-	-	-	-	-
-	-	44	-	-	-	-	13,167
31	91	212	-	1	448	16	5,658
-	796	136	-	3	22	-	4,880
-	-	219	73	-	-	1,472	81,306
-	-	-	-	532	-	-	16,984
-	-	-	-	-	-	-	9,789
3,595	5,629	1,678	-	15,196	-	5,019	214,639
15,640	11,106	12,243	1,063	1,415	786	65	545,610
26,277	27,813	18,955	2,678	23,376	3,911	8,940	1,035,277
-	-	-	-	-	-	-	5,301
26,277	27,813	18,955	2,678	23,376	3,911	8,940	1,040,578
123	544	180	839	1,404	436	117	30,240
-	-	-	-	-	-	-	-
-	-	-	14	6	-	-	-
-	-	-	-	-	-	-	-
-	-	-	11	4	-	1	-
24	442	1	-	-	82	-	214
-	-	-	-	-	-	-	4,107
20	123	770	-	-	-	-	10,191
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
132	241	23	54	25	502	78	27,958
889	-	1,000	1,353	618	6,514	104	524,331
1,188	1,350	1,974	2,271	2,057	7,534	300	597,041
-	-	-	-	-	-	-	-
1,188	1,350	1,974	2,271	2,057	7,534	300	597,041
18,309	16,735	12,162	1,063	16,610	786	5,084	269,881
-	-	-	-	532	-	-	-
-	-	-	-	-	-	16	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	52,020
-	-	-	-	-	-	-	-
-	1,084	175	73	3,088	-	-	-
-	-	-	-	-	-	1,526	-
6,780	8,644	4,644	(729)	1,089	(4,409)	2,014	121,636
\$ 25,089	\$ 26,463	\$ 16,981	\$ 407	\$ 21,319	\$ (3,623)	\$ 8,640	\$ 443,537

Continued on next page

**Combining Statement of Net Position – Nonmajor Component Units** (Continued from previous page)

June 30, 2014

(Dollars in Thousands)

	Virginia Tourism Authority	Virginia Foundation for Healthy Youth	Tobacco Indemnification and Community Revitalization Commission	Hampton Roads Sanitation District Commission
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 4,141	\$ 11,465	\$ 35,870	\$ 12,918
Investments	-	-	326,568	111,861
Receivables, Net	22	-	120	42,536
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	749	5	5	-
Other Assets	2	6	2,344	2,064
Restricted Cash and Cash Equivalents	-	-	14,097	164,257
Restricted Investments	-	-	206,045	8,600
Other Restricted Assets	-	-	2,012	-
Nondepreciable Capital Assets	811	-	-	202,339
Depreciable Capital Assets, Net	731	-	18	811,619
<b>Total Assets</b>	<b>6,456</b>	<b>11,476</b>	<b>587,079</b>	<b>1,356,194</b>
<b>Deferred Outflows of Resources</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>6,456</b>	<b>11,476</b>	<b>587,079</b>	<b>1,356,194</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable	360	72	93	36,442
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	9	5	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	7	6	-
Unearned Revenue	3	-	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	633	2,883	15,659
Loans Payable to Primary Government	-	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	271	51	32	56,235
Due in More Than One Year	3,665	921	717	718,056
<b>Total Liabilities</b>	<b>4,299</b>	<b>1,693</b>	<b>3,736</b>	<b>826,392</b>
<b>Deferred Inflows of Resources</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>4,299</b>	<b>1,693</b>	<b>3,736</b>	<b>826,392</b>
<b>Net Position</b>				
Net Investment in Capital Assets	1,543	-	-	351,191
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	221,578	-
Debt Service	-	-	-	69,271
Gifts and Grants	-	-	-	-
Higher Education	-	-	-	-
Other	-	-	-	-
<b>Unrestricted</b>	<b>614</b>	<b>9,783</b>	<b>361,765</b>	<b>109,340</b>
<b>Total Net Position (Deficit)</b>	<b>\$ 2,157</b>	<b>\$ 9,783</b>	<b>\$ 583,343</b>	<b>\$ 529,802</b>

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
\$ 3,027	\$ 4,019	\$ 3,572	\$ 646	\$ -	\$ 84	\$ 902	\$ 641
6,290	34	1,542	536	-	454	7,612	-
31,799	10,471	-	9	1,156	4	-	466
-	-	-	4,978	-	41	7,686	-
-	-	-	-	-	-	-	-
-	-	-	-	4,103	-	-	-
-	-	-	-	-	7	-	-
-	-	-	6	182	75	-	-
-	-	-	-	-	-	4,662	-
-	36,219	-	3,681	-	510	17,169	-
-	-	-	14,898	-	388	245,955	-
-	-	-	-	-	-	-	-
3,369	-	-	1,792	-	-	54	-
85	-	-	3	117,335	26	770	4
44,570	50,743	5,114	26,549	122,776	1,589	284,810	1,111
1,939	-	-	-	-	-	-	-
46,509	50,743	5,114	26,549	122,776	1,589	284,810	1,111
42	65	-	2	631	38	477	345
-	-	-	-	-	-	-	-
-	-	-	659	-	-	-	-
-	-	-	-	-	-	-	-
25	-	-	88	1,935	-	-	75
-	1,090	-	-	-	-	-	-
12	1,045	-	-	-	-	211	-
-	-	-	-	5,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,397	-	-	2	-	-	1,208	163
30,975	492	-	8	-	-	43,876	-
34,451	2,692	-	759	7,566	38	45,772	583
-	-	-	-	-	-	-	-
34,451	2,692	-	759	7,566	38	45,772	583
3,454	-	-	1,795	117,335	26	756	4
-	-	-	-	-	-	-	-
-	-	-	5,895	-	254	152,465	-
-	-	-	4,720	-	-	273	-
-	-	-	-	-	-	-	-
-	34,073	-	12,225	-	685	104,605	-
-	-	-	-	-	-	-	-
-	8,844	-	-	-	-	-	-
8,604	5,134	5,114	1,155	(2,125)	586	(19,061)	524
\$ 12,058	\$ 48,051	\$ 5,114	\$ 25,790	\$ 115,210	\$ 1,551	\$ 239,038	\$ 528

Continued on next page

**Combining Statement of Net Position – Nonmajor Component Units (Continued from previous page)**

June 30, 2014

(Dollars in Thousands)

	Virginia Horse Center Foundation	Virginia University Research Partnership	Fort Monroe Authority	Assistive Technology Loan Fund Authority
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 209	\$ 4	\$ 3,797	\$ 7,786
Investments	-	-	-	-
Receivables, Net	144	-	459	2,066
Contributions Receivable, Net	121	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	36	-	-	-
Prepaid Items	20	-	193	-
Other Assets	23	-	-	-
Restricted Cash and Cash Equivalents	60	-	241	-
Restricted Investments	-	-	-	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	7,394	-	181	-
Depreciable Capital Assets, Net	13,026	-	137	-
<b>Total Assets</b>	<b>21,033</b>	<b>4</b>	<b>5,008</b>	<b>9,852</b>
<b>Deferred Outflows of Resources</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>21,033</b>	<b>4</b>	<b>5,008</b>	<b>9,852</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable	544	-	537	-
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	-	-
Unearned Revenue	22	-	20	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	149	-	230	-
Loans Payable to Primary Government	-	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	286	-	39	5
Due in More Than One Year	11,471	-	1,057	-
<b>Total Liabilities</b>	<b>12,472</b>	<b>-</b>	<b>1,883</b>	<b>5</b>
<b>Deferred Inflows of Resources</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>12,472</b>	<b>-</b>	<b>1,883</b>	<b>5</b>
<b>Net Position</b>				
Net Investment in Capital Assets	8,663	-	318	-
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	11	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	45
Higher Education	-	-	-	-
Other	-	-	-	-
Unrestricted	(102)	4	2,796	9,802
<b>Total Net Position (Deficit)</b>	<b>\$ 8,561</b>	<b>\$ 4</b>	<b>\$ 3,125</b>	<b>\$ 9,847</b>

Virginia Sesquicentennial of the American Civil War Foundation	Virginia Land Conservation Foundation	Virginia Arts Foundation	Library of Virginia Foundation	Virginia Health Workforce Development Authority	Total Nonmajor Component Units
\$ 329	\$ 2,527	\$ -	\$ 61	\$ 76	\$ 2,611,581
-	-	-	1,660	-	9,826,817
-	-	-	1	-	1,184,155
-	-	-	102	-	351,341
-	-	-	-	-	11,581
-	-	-	-	-	106,936
-	-	-	144	-	92,490
-	-	-	1	-	131,418
-	-	-	-	-	114,286
-	-	954	11	38	940,569
-	-	-	1,250	-	4,167,604
-	-	-	-	-	230,574
-	-	-	-	-	2,304,015
-	-	-	22	-	13,971,099
329	2,527	954	3,252	114	36,044,466
-	-	-	-	-	145,167
329	2,527	954	3,252	114	36,189,633
-	-	-	-	-	-
-	-	-	46	-	1,048,532
-	-	-	-	-	6,154
-	-	-	-	-	19,270
-	-	-	-	-	4,103
-	-	-	-	-	24,735
-	-	-	-	-	337,944
-	-	-	-	-	45,287
-	-	-	37	-	1,169,446
-	-	-	-	-	10,705
-	-	-	-	-	-
-	-	-	-	-	71,731
-	-	-	-	-	37,655
-	-	-	-	-	-
-	-	-	-	-	564,471
-	-	-	-	-	9,308,971
-	-	-	83	-	12,649,004
-	-	-	-	-	4,890
-	-	-	83	-	12,653,894
-	-	-	-	-	-
-	-	-	22	-	9,503,813
-	-	-	-	-	-
-	-	-	-	-	2,991,430
-	-	954	990	-	160,585
-	-	-	-	-	226,571
-	-	-	-	-	121,291
329	-	-	386	38	152,386
-	-	-	-	-	5,634,252
-	-	-	-	-	10,370
-	2,527	-	1,771	76	4,735,041
\$ 329	\$ 2,527	\$ 954	\$ 3,169	\$ 114	\$ 23,535,739

## Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
<b>Higher Education</b>					
University of Virginia	\$ 3,243,329	\$ 2,350,232	\$ 937,951	\$ 62,696	\$ 107,550
Virginia Polytechnic Institute and State University	1,372,899	690,529	484,268	67,119	(130,983)
Virginia Commonwealth University	3,069,747	2,712,999	314,804	35,351	(6,593)
The College of William and Mary	434,076	245,868	136,325	22,556	(29,327)
Virginia Military Institute	91,729	44,687	46,698	10,772	10,428
Virginia State University	148,872	62,486	33,382	14,980	(38,024)
Norfolk State University	166,057	56,999	35,996	36,720	(36,342)
University of Mary Washington	131,151	77,517	10,107	19,755	(23,772)
James Madison University	475,179	339,749	47,568	40,654	(47,208)
Radford University	191,574	112,635	26,704	18,331	(33,904)
Old Dominion University	476,393	243,298	104,299	29,767	(99,029)
George Mason University	822,660	491,304	174,005	29,534	(127,817)
Virginia Community College System	1,273,116	388,918	408,045	54,890	(421,263)
Christopher Newport University	146,062	101,372	10,956	17,689	(16,045)
Longwood University	130,521	83,481	15,612	11,814	(19,614)
Southwest Virginia Higher Education Center	8,348	1,127	4,650	-	(2,571)
Roanoke Higher Education Authority	3,195	1,248	73	2,937	1,063
Innovation and Entrepreneurship Investment Authority	18,574	3,981	2,577	-	(12,016)
Institute for Advanced Learning and Research	8,645	1,745	1,290	140	(5,470)
Southern Virginia Higher Education Center	7,827	3,712	619	-	(3,496)
New College Institute	3,693	-	3,655	5,706	5,668
Total Higher Education	12,223,647	8,013,887	2,799,584	481,411	(928,765)
<b>Other Nonmajor Component Units</b>					
Virginia Economic Development Partnership	21,991	420	1,943	-	(19,628)
Virginia Outdoors Foundation	4,368	1,316	1,154	-	(1,898)
Virginia Port Authority	433,421	391,478	5,192	799	(35,952)
Virginia Tourism Authority	23,207	440	2,131	-	(20,636)
Virginia Foundation for Healthy Youth	8,944	-	55	-	(8,889)
Tobacco Identification and Community Revitalization Commission	90,369	-	-	-	(90,369)
Hampton Roads Sanitation District Commission	212,710	221,821	-	13,888	22,999
Virginia Biotechnology Research Partnership Authority	2,497	2,513	-	-	16
Virginia Small Business Financing Authority	694	1,310	5,926	-	6,542
Virginia School for the Deaf and Blind Foundation	154	-	-	-	(154)
Science Museum of Virginia Foundation	2,919	-	2,050	5,322	4,453
Virginia Commercial Space Flight Authority	27,414	4,400	11,713	10,080	(1,221)
Danville Science Center, Inc.	326	11	713	-	398
Virginia Museum of Fine Arts Foundation	19,183	-	35,286	-	16,103
A. L. Philipott Manufacturing Extension Partnership	3,467	1,108	1,729	-	(630)
Virginia Horse Center Foundation	4,515	3,100	539	-	(876)
Virginia University Research Partnership	-	-	-	-	-
Fort Monroe Authority	10,154	3,240	1,338	363	(5,213)
Assistive Technology Loan Fund Authority	486	-	-	-	(486)
Virginia Sesquicentennial of the American Civil War Foundation	17	-	33	-	16
Virginia Land Conservation Foundation	2,547	-	2,236	-	(311)
Virginia Arts Foundation	-	27	-	-	27
Library of Virginia Foundation	1,269	336	87	-	(846)
Virginia Health Workforce Development Authority	1,086	-	1,030	-	(56)
Total Other Nonmajor	871,738	631,520	73,155	30,452	(136,611)
Total Nonmajor Component Units	\$ 13,095,385	\$ 8,645,407	\$ 2,872,739	\$ 511,863	\$ (1,065,376)

General Revenues				Contributions to Permanent and Term Endowments	Change in Net Position	Net Position (Deficit) July 1, as restated	Net Position (Deficit) June 30
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous				
\$ 161,504	\$ 25,503	\$ 660,005	\$ 2,625	\$ 41,906	\$ 999,093	\$ 8,167,767	\$ 9,166,860
243,500	3,460	23,061	31,719	17,610	188,367	2,140,049	2,328,416
199,259	1,795	104,650	31,162	10,832	341,105	2,788,632	3,129,737
69,456	19,589	8,086	13,990	28,087	109,881	1,277,133	1,387,014
13,537	-	17,044	358	8,826	50,193	542,304	592,497
41,367	2,106	8,094	2,096	398	16,037	152,055	168,092
59,643	1,625	4,235	2,606	166	31,933	157,703	189,636
24,612	1,124	569	1,242	4,754	8,529	189,390	197,919
89,428	742	3,052	2,027	3,170	51,211	732,208	783,419
53,420	108	2,015	1,159	781	23,579	305,415	328,994
131,411	-	16,101	-	12,230	60,713	526,818	587,531
160,661	3,699	4,585	6,220	5,636	52,984	597,498	650,482
411,057	8,443	4,455	18,902	12,590	34,184	1,227,712	1,261,896
30,531	5,061	3,337	613	1,456	24,953	330,896	355,849
29,314	328	1,873	6,201	2,199	20,301	235,634	255,935
2,008	-	-	-	-	(563)	12,157	11,594
1,122	10	6	-	-	2,201	22,888	25,089
12,597	-	801	-	-	1,382	25,081	26,463
6,123	-	14	114	-	781	16,200	16,981
2,691	451	-	-	-	(354)	761	407
1,516	-	207	-	16	7,407	13,912	21,319
1,744,757	74,044	862,190	121,034	150,657	2,023,917	19,462,213	21,486,130
18,385	-	5	113	-	(1,125)	(2,498)	(3,623)
1,753	75	17	25	-	(28)	8,668	8,640
36,652	-	560	9	-	1,269	442,268	443,537
20,200	-	7	-	-	(429)	2,586	2,157
-	9,452	-	-	-	563	9,220	9,783
-	-	19,109	626	-	(70,634)	653,977	583,343
-	-	1,450	2,364	-	26,813	502,989	529,802
250	-	1,269	-	-	1,535	10,523	12,058
-	-	91	424	-	7,057	40,994	48,051
-	243	816	21	-	926	4,188	5,114
-	1,901	10	-	-	6,364	19,426	25,790
11,800	-	-	-	-	10,579	104,631	115,210
-	93	15	-	-	506	1,045	1,551
-	5,939	1,171	-	3,017	26,230	212,808	239,038
399	-	-	-	-	(231)	759	528
-	118	-	-	245	(513)	9,074	8,561
-	-	-	-	-	-	4	4
5,767	-	-	119	-	673	2,452	3,125
-	-	127	-	-	(359)	10,206	9,847
-	-	-	-	-	16	313	329
1,000	-	-	-	-	689	1,838	2,527
-	-	-	23	-	50	904	954
-	315	280	7	272	28	3,141	3,169
-	7	-	26	-	(23)	137	114
96,206	18,143	24,927	3,757	3,534	9,956	2,039,653	2,049,609
\$ 1,840,963	\$ 92,187	\$ 887,117	\$ 124,791	\$ 154,191	\$ 2,033,873	\$ 21,501,866	\$ 23,535,739



# 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,				
	2014	2013	2012	2011	2010
<b>Tax-Supported Debt:</b>					
<b>Primary Government:</b>					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	\$ 706,192	\$ 752,493	\$ 831,148	\$ 914,574	\$ 999,841
Section 9(c) Bonds (2)	36,677	39,499	42,593	45,800	49,545
Subtotal - General Obligation Bonds	742,869	791,992	873,741	960,374	1,049,386
Nongeneral Obligation Debt:					
Section 9(d) Bonds (2)	4,748,217	5,029,659	5,222,270	4,427,114	3,705,737
Other Long-term Debt and Obligations (3)	3,287,907	3,004,676	2,742,274	2,397,060	2,079,248
Total Primary Government	8,778,993	8,826,327	8,838,285	7,784,548	6,834,371
<b>Component Units:</b>					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	925,086	877,858	906,474	765,280	631,275
Subtotal - General Obligation Bonds	925,086	877,858	906,474	765,280	631,275
Nongeneral Obligation Bonds:					
Section 9(d) Bonds (2)	3,542,518	2,990,382	2,747,447	2,139,017	1,919,034
Other Long-term Debt (3)	2,207,305	1,944,418	1,701,305	1,472,492	1,209,731
Total Component Units	6,674,909	5,812,658	5,355,226	4,376,789	3,760,040
<b>Total Tax-Supported Debt</b>	<b>15,453,902</b>	<b>14,638,985</b>	<b>14,193,511</b>	<b>12,161,337</b>	<b>10,594,411</b>
<b>Debt Not Supported by Taxes:</b>					
<b>Primary Government:</b>					
Total Primary Government (2)	3,510,428	3,320,450	2,915,671	2,759,434	2,803,913
<b>Component Units:</b>					
Section 9(d) Moral Obligation Bonds	831,165	836,656	801,384	684,005	669,839
Section 9(d) Other Debt	1,826,602	1,538,395	1,541,802	1,450,714	1,333,083
Other Long-term Debt (4)	14,351,277	15,341,291	15,088,830	15,302,035	15,102,864
Foundations (5)	1,669,241	1,583,178	1,570,447	1,355,777	1,317,122
Total Component Units	18,678,285	19,299,520	19,002,463	18,792,531	18,422,908
<b>Total Debt Not Supported by Taxes</b>	<b>22,188,713</b>	<b>22,619,970</b>	<b>21,918,134</b>	<b>21,551,965</b>	<b>21,226,821</b>
<b>Total Debt of the Commonwealth</b>	<b>\$ 37,642,615</b>	<b>\$ 37,258,955</b>	<b>\$ 36,111,645</b>	<b>\$ 33,713,302</b>	<b>\$ 31,821,232</b>

	2014	2013	2012	2011	2010
Section 9(b) Debt:					
Transportation Facilities Bonds	\$ -	\$ -	\$ -	\$ -	\$ 6,469
Public Facilities Bonds	706,192	752,493	831,148	914,574	993,372
Subtotal 9(b) Debt	706,192	752,493	831,148	914,574	999,841
Section 9(c) Debt:					
Higher Educational Institution Bonds	925,086	877,858	906,474	765,280	631,275
Transportation Facilities Bonds	19,632	21,961	24,210	26,355	28,394
Parking Facilities Bonds	17,045	17,538	18,383	19,445	21,151
Subtotal 9(c) Debt	961,763	917,357	949,067	811,080	680,820
Total General Obligation Debt (1)	\$ 1,667,955	\$ 1,669,850	\$ 1,780,215	\$ 1,725,654	\$ 1,680,661

- (1) Total general obligation debt for the fiscal year ended.
- (2) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (3) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.
- (4) Includes bonds payable, notes payable, and other debt not supported by taxes.
- (5) Foundations represent FASB reporting entities defined in Note 1.B.

## Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
<b>Primary Government:</b>					
<b>General Obligation Debt (1) (4):</b>					
Section 9(b) Debt					
Transportation Facilities (2)	\$ -	\$ -	\$ -	\$ -	\$ 6,469
Public Facilities (2)	706,192	752,493	831,148	914,574	993,372
Subtotal Section 9(b) Debt	706,192	752,493	831,148	914,574	999,841
Section 9(c) Debt					
Parking Facilities (2)	17,045	17,538	18,383	19,445	21,151
Transportation Facilities (2)	19,632	21,961	24,210	26,355	28,394
Subtotal Section 9(c) Debt	36,677	39,499	42,593	45,800	49,545
Subtotal General Obligation Debt	742,869	791,992	873,741	960,374	1,049,386
<b>Nongeneral Obligation Debt:</b>					
Section 9(d) Debt:					
Transportation Debt (2)	2,373,382	2,495,312	2,655,481	2,008,601	1,428,918
Virginia Public Building Authority (2)	2,374,835	2,534,347	2,566,789	2,418,513	2,276,819
Subtotal Section 9(d) Debt	4,748,217	5,029,659	5,222,270	4,427,114	3,705,737
<b>Other Long-term Debt:</b>					
Transportation Notes Payable (3)	-	8,000	8,000	8,000	8,000
Regional Jail Construction	-	837	2,748	4,617	6,445
Capital Lease Obligations	60,916	71,835	77,400	87,219	97,012
Installment Purchase Obligations	113,936	106,367	114,959	101,014	73,950
Virginia Public Broadcasting Board Notes Payable (3)	-	-	-	-	2,990
Industrial Development Authority Obligations	-	-	-	-	5,150
Economic Development Authority Obligations	57,621	77,472	81,747	85,827	89,722
Tax Refund Note (3)	-	20,319	40,639	60,959	81,278
Aviation Notes Payable (3)	529	764	1,050	1,336	1,623
Subtotal Other Long-term Debt	233,002	285,594	326,543	348,972	366,170
<b>Other Long-term Obligations:</b>					
Compensated Absences	321,520	317,528	315,176	311,523	320,912
Pension Liability	2,114,803	1,875,011	1,660,768	1,405,714	1,147,163
OPEB Liability	568,764	493,443	406,969	301,771	214,943
Pollution Remediation Liability	13,186	3,494	5,171	4,772	4,019
Other Liabilities	36,632	29,606	27,647	24,308	26,041
Subtotal Other Long-term Obligations	3,054,905	2,719,082	2,415,731	2,048,088	1,713,078
<b>Total Primary Government</b>	<b>8,778,993</b>	<b>8,826,327</b>	<b>8,838,285</b>	<b>7,784,548</b>	<b>6,834,371</b>
<b>Component Units:</b>					
<b>General Obligation Bonds (1) (4):</b>					
Section 9(c) Debt					
Higher Educational Institutions (2)	925,086	877,858	906,474	765,280	631,275
Subtotal General Obligation Debt	925,086	877,858	906,474	765,280	631,275
<b>Nongeneral Obligation Debt:</b>					
Section 9(d) Debt:					
Virginia Port Authority (2)	222,044	228,619	237,321	186,011	194,287
Innovation & Entrepreneurship Investment Authority	-	1,220	2,375	3,465	4,480
Virginia College Building Authority	3,286,119	2,725,259	2,470,589	1,909,586	1,677,617
Virginia Biotechnology Research Partnership Authority	34,355	35,284	37,162	39,955	42,650
Subtotal Section 9(d) Debt	3,542,518	2,990,382	2,747,447	2,139,017	1,919,034
<b>Other Long-term Debt:</b>					
Capital Lease Obligations	82,189	85,631	91,166	119,519	104,489
Installment Purchase Obligations (3)	76,526	86,315	100,161	118,277	141,026
Subtotal Other Long-term Debt	158,715	171,946	191,327	237,796	245,515
<b>Other Long-term Obligations:</b>					
Compensated Absences	280,237	265,246	253,845	248,149	238,916
Pension Liability	1,066,638	924,512	785,472	644,481	506,555
OPEB Liability	701,715	582,714	470,661	342,066	218,745
Subtotal Other Long-term Obligations	2,048,590	1,772,472	1,509,978	1,234,696	964,216
<b>Total Component Units</b>	<b>6,674,909</b>	<b>5,812,658</b>	<b>5,355,226</b>	<b>4,376,789</b>	<b>3,760,040</b>
<b>Total Tax-Supported Debt</b>	<b>\$ 15,453,902</b>	<b>14,638,985</b>	<b>\$ 14,193,511</b>	<b>\$ 12,161,337</b>	<b>\$ 10,594,411</b>

- (1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith and credit of the Commonwealth.
- (2) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (3) Reflected as Notes Payable in Note 26, Long-term Liabilities.
- (4) See Note 1 on previous page.

## Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
<b>Primary Government:</b>					
<b>Other Long-term Debt &amp; Obligations:</b>					
Federal Reimbursement Anticipation Notes Payable (1)	\$ 60,905	\$ 89,836	\$ 182,450	\$ 274,650	\$ 414,319
Grant Anticipation Notes (GARVEES) (1)	746,812	473,733	298,728	-	-
Route 460 Funding Corporation of Virginia	317,305	314,662	-	-	-
Pension Liability	57,400	48,798	42,249	34,054	26,379
OPEB Liability	18,709	15,688	12,751	9,099	5,779
Capital Lease Obligations	6,072	6,453	449	918	1,407
Compensated Absences	10,102	9,727	9,267	9,044	9,130
Installment Purchase Obligations	-	-	-	-	187
Tuition Benefits Payable	2,140,430	2,189,079	2,175,296	2,215,261	2,095,958
Lottery Prizes Payable	152,693	172,474	194,481	216,408	250,754
<b>Total Primary Government</b>	<b>3,510,428</b>	<b>3,320,450</b>	<b>2,915,671</b>	<b>2,759,434</b>	<b>2,803,913</b>
<b>Component Units:</b>					
<b>Section 9(d) Moral Obligation Debt: (1)</b>					
Virginia Resources Authority	831,165	836,656	801,384	684,005	669,839
<b>Subtotal Section 9(d) Moral Obligation Debt</b>	<b>831,165</b>	<b>836,656</b>	<b>801,384</b>	<b>684,005</b>	<b>669,839</b>
<b>Section 9(d) Other Debt:</b>					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	1,315,358	1,269,149	1,205,869	1,232,954	1,059,008
Teaching Hospitals Revenue Bonds (4)	511,244	269,246	335,933	217,760	274,075
<b>Subtotal Section 9(d) Other Debt</b>	<b>1,826,602</b>	<b>1,538,395</b>	<b>1,541,802</b>	<b>1,450,714</b>	<b>1,333,083</b>
<b>Other Long-term Debt:</b>					
Virginia Housing Development Authority (1) (2)	4,931,982	5,742,689	5,945,174	6,438,200	6,739,603
Hampton Roads Sanitation District	766,353	790,503	639,286	560,996	547,318
Virginia Biotechnology Research Partnership Authority	-	-	-	1,125	1,355
Virginia Public School Authority (1) (2)	3,523,633	3,483,366	3,378,084	3,215,448	3,235,947
Virginia Port Authority	272,831	276,816	281,978	284,558	288,764
Virginia Resources Authority	2,536,711	2,582,923	2,478,243	2,060,398	1,915,717
Notes Payable	2,067,038	2,179,181	2,070,152	2,403,627	2,034,214
Other Long-term Debt	252,729	285,813	295,913	337,683	339,946
Foundations (5)	1,669,241	1,583,178	1,570,447	1,355,777	1,317,122
<b>Subtotal Other Long-term Debt</b>	<b>16,020,518</b>	<b>16,924,469</b>	<b>16,659,277</b>	<b>16,657,812</b>	<b>16,419,986</b>
<b>Subtotal Section 9(d) and Other Debt</b>	<b>17,847,120</b>	<b>18,462,864</b>	<b>18,201,079</b>	<b>18,108,526</b>	<b>17,753,069</b>
<b>Total Component Units</b>	<b>18,678,285</b>	<b>19,299,520</b>	<b>19,002,463</b>	<b>18,792,531</b>	<b>18,422,908</b>
<b>Total Debt Not Supported by Taxes (3)</b>	<b>\$ 22,188,713</b>	<b>\$ 22,619,970</b>	<b>\$ 21,918,134</b>	<b>\$ 21,551,965</b>	<b>\$ 21,226,821</b>

- (1) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (2) Includes notes payable and/or installment purchase obligations.
- (3) These amounts are not backed by the full faith and credit of the Commonwealth.
- (4) Includes the Virginia Commonwealth University Health System Authority.
- (5) Foundations represent FASB reporting entities defined in Note 1.B.

## Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	As of June 30, 2013, as restated (1)	New Debt Authorized	Debt Issued	Other Adjust- ments	As of June 30, 2014
<b>Section 9(c) Debt (Primary Government):</b>					
Higher Educational Institution Bonds	480,624	245,021	68,980	(4,898)	651,767
Parking Facilities Bonds	226	-	-	-	226
<b>Subtotal Section 9(c) Debt</b>	<b>480,850</b>	<b>245,021</b>	<b>68,980</b>	<b>(4,898)</b>	<b>651,993</b>
<b>Section 9(d) Debt:</b>					
<b>Primary Government:</b>					
Transportation Contract Revenue Bonds					
(Northern Virginia Transportation District					
Fund Program)	24,700	-	-	-	24,700
U.S. Route 58 Corridor Development Program	595,700	-	-	-	595,700
Transportation Capital Projects Revenue Bonds	1,487,335	-	-	-	1,487,335
<b>Component Units:</b>					
Virginia Public Building Authority					
(Projects)	485,318	503,559	-	-	988,877
Virginia Public Building Authority					
(Jails)	128,498	7,900	37,525	(3,055)	95,818
Virginia College Building Authority					
(21st Century)	1,832,654	156,576	540,325	(48,275)	1,400,630
Virginia College Building Authority					
(Equipment Program)	126,436	128,436	110,535	(15,901)	128,436
Virginia Port Authority	64,999	-	-	-	64,999
<b>Subtotal Section 9(d) Debt</b>	<b>4,745,640</b>	<b>796,471</b>	<b>688,385</b>	<b>(67,231)</b>	<b>4,786,495</b>
<b>Total Authorized and Unissued</b>					
<b>Tax-Supported Debt</b>	<b>\$ 5,226,490</b>	<b>\$ 1,041,492</b>	<b>\$ 757,365</b>	<b>\$ (72,129)</b>	<b>\$ 5,438,488</b>

- (1) The U.S. Route 58 Corridor Development Program has been restated by \$595.7 million authorized in fiscal year 2013 but not previously reported.

## Tax-Supported Debt – Annual Debt Service Requirements [1]

For the Fiscal Year Ended June 30, 2014

(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
2015	117,795	69,058	186,853	500,032	350,063	850,095
2016	115,110	63,369	178,479	505,982	327,002	832,984
2017	107,145	58,250	165,395	502,739	304,200	806,939
2018	101,145	53,197	154,342	477,440	281,508	758,948
2019	100,545	48,636	149,181	451,715	260,376	712,091
2020	100,525	43,947	144,472	423,199	239,683	662,882
2021	102,690	39,302	141,992	423,416	220,447	643,863
2022	97,805	34,619	132,424	398,555	200,847	599,402
2023	98,120	30,205	128,325	396,486	182,949	579,435
2024	97,645	25,830	123,475	401,751	164,996	566,747
2025	89,315	21,483	110,798	391,349	146,921	538,270
2026	83,825	17,681	101,506	392,414	129,372	521,786
2027	75,330	14,161	89,491	372,061	112,146	484,207
2028	59,730	10,883	70,613	362,600	94,611	457,211
2029	44,410	8,282	52,692	348,850	77,671	426,521
2030	34,570	6,408	40,978	325,810	61,752	387,562
2031	30,160	4,891	35,051	267,280	46,601	313,881
2032	20,135	3,547	23,682	235,450	35,404	270,854
2033	19,665	2,689	22,354	179,220	25,772	204,992
2034	17,280	1,826	19,106	160,970	17,969	178,939
2035	9,930	1,060	10,990	111,460	10,765	122,225
2036	5,835	616	6,451	86,345	5,535	91,880
2037	2,560	365	2,925	47,980	1,780	49,760
2038	1,675	244	1,919	-	-	-
2039	1,730	165	1,895	-	-	-
2040	1,785	84	1,869	-	-	-
Subtotal	1,536,460	560,798	2,097,258	7,763,104	3,298,370	11,061,474
Add						
Accretion on						
Capital Appreciation						
Bonds	-	-	-	20,762	-	20,762
Add						
Unamortized						
Premium	131,495	-	131,495	565,120	-	565,120
Less						
Unamortized						
Discount	-	-	-	(100)	-	(100)
Total	\$ 1,667,955	\$ 560,798	\$ 2,228,753	\$ 8,348,886	\$ 3,298,370	\$ 11,647,256

[1] Includes Virginia Biotechnology Research Park Authority, Fairfax County Economic Development Authority, and the Virginia Aviation Board. Does not include other capital leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, pollution remediation liability and uninsured employers' fund.

[2] Includes principal amount of \$4,806,367 (dollars in thousands) for the primary government.

<b>Total</b>		
<b>Principal</b>	<b>Interest</b>	<b>Total</b>
617,827	419,121	1,036,948
621,092	390,371	1,011,463
609,884	362,450	972,334
578,585	334,705	913,290
552,260	309,012	861,272
523,724	283,630	807,354
526,106	259,749	785,855
496,360	235,466	731,826
494,606	213,154	707,760
499,396	190,826	690,222
480,664	168,404	649,068
476,239	147,053	623,292
447,391	126,307	573,698
422,330	105,494	527,824
393,260	85,953	479,213
360,380	68,160	428,540
297,440	51,492	348,932
255,585	38,951	294,536
198,885	28,461	227,346
178,250	19,795	198,045
121,390	11,825	133,215
92,180	6,151	98,331
50,540	2,145	52,685
1,675	244	1,919
1,730	165	1,895
1,785	84	1,869
9,299,564	3,859,168	13,158,732
20,762	-	20,762
696,615	-	696,615
(100)	-	(100)
<u>\$ 10,016,841</u>	<u>\$ 3,859,168</u>	<u>\$ 13,876,009</u>

## Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(b) Debt (Primary Government):</b>					
<b>Public Facilities Bonds</b>					
Series 2004	243,680	41,210	(41,210)	-	
Series 2005	118,110	5,950	-	5,950	06/01/15
Series 2006 Refunding	61,535	15,260	(7,705)	7,555	06/01/15
Series 2006	117,910	17,165	(5,325)	11,840	06/01/15-16
Series 2007	200,465	59,240	(10,250)	48,990	06/01/15-27
Series 2008	198,165	148,775	(9,925)	138,850	06/01/15-28
Series 2009	80,000	64,000	(4,000)	60,000	06/01/15-29
Series 2009 Refunding	121,765	121,295	-	121,295	06/01/16-22
Series 2009 Taxable BABs	45,000	37,905	(2,365)	35,540	06/01/15-29
Series 2012A Refunding	71,065	71,065	(9,015)	62,050	06/01/15-24
Series 2013 Refunding	128,250	128,250	-	128,250	06/01/15-27
Series 2014B Refunding	22,855	-	22,855	22,855	06/01/15-18
Unamortized Premium	-	74,557	(11,540)	63,017	
<b>Total Public Facilities Bonds</b>	<b>1,408,800</b>	<b>784,672</b>	<b>(78,480)</b>	<b>706,192</b>	
<b>Total Section 9(b) Debt</b>	<b>1,408,800</b>	<b>784,672</b>	<b>(78,480)</b>	<b>706,192</b>	
<b>Section 9(c) Debt</b>					
<b>Higher Educational Institution bonds (Component Units)</b>					
<b>Series 2004 New Money and Refunding Bonds</b>					
<b>Christopher Newport University</b>					
New Residence Hall - '01 Refunded Portion	12,842	10,138	(10,138)	-	
Residence Hall II - '99 Refunded Portion	8,416	5,396	(5,396)	-	
<b>The College of William and Mary</b>					
Dorm Renovation Phase II - '97 Refunded Portion	469	208	(208)	-	
Dorm Renovations - '98 Refunded Portion	3,778	2,084	(2,084)	-	
Dorm Repairs - '97 Refunded Portion	2,077	936	(936)	-	
Renovate Dormitories - '01 Refunded Portion	2,629	2,074	(2,074)	-	
Utility System - '97 Refunded Portion	1,226	548	(548)	-	
<b>George Mason University</b>					
Commonwealth and Dominion Housing	2,340	285	(285)	-	
Housing Building V - '01 Refunded Portion	9,940	7,848	(7,848)	-	
<b>James Madison University</b>					
Bluestone Dorm, Phase II - '01 Refunded Portion	3,130	2,470	(2,470)	-	
Dining Facilities Renovation - '98 Refunded Portion	638	348	(348)	-	
Dining Hall Renovation - '97 Refunded Portion	818	368	(368)	-	
Residence Hall - '97 Refunded Portion	7,093	3,209	(3,209)	-	
Student Services - '97 Refunded Portion	3,783	1,711	(1,711)	-	
<b>Longwood University</b>					
Dining Hall - '99 Refunded Portion	1,868	1,195	(1,195)	-	
Residence Hall Improvements - '99 Refunded Portion	1,747	1,126	(1,126)	-	
<b>University of Mary Washington</b>					
Residence Hall Renovation - '01 Refunded Portion	1,036	814	(814)	-	
<b>University of Virginia</b>					
Residence Hall - Monroe Lane - '01 Refunded Portion	2,513	1,985	(1,985)	-	
Residence Hall - Wise - '99 Refunded Portion	3,020	1,935	(1,935)	-	
<b>Virginia Commonwealth University</b>					
Academic Parking Deck - '97 Refunded Portion	7,723	3,490	(3,490)	-	
<b>Virginia Military Institute</b>					
Crozet Hall and Parking	11,240	500	(500)	-	

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2004 New Money and Refunding Bonds (continued)</b>					
Virginia Polytechnic Institute and State University					
Dining Hall - '98 Refunded Portion	1,928	1,064	(1,064)	-	
Dining Hall HVAC - '99 Refunded Portion	1,168	750	(750)	-	
Parking Auxiliary Project - '97 Refunded Portion	951	427	(427)	-	
Residence Hall - '97 Refunded Portion	9,995	4,523	(4,523)	-	
Renovate Dietrick Severy, Phase II	4,800	225	(225)	-	
Virginia State University					
Jones Dining Hall - '98 Refunded Portion	618	343	(343)	-	
<b>Subtotal Series 2004 New Money and Refunding Bonds</b>	<b>107,786</b>	<b>56,000</b>	<b>(56,000)</b>	<b>-</b>	
<b>Series 2005 Bonds</b>					
The College of William and Mary					
Renovate Dining	9,555	830	(405)	425	06/01/15
Renovate Dorms	5,800	505	(245)	260	06/01/15
George Mason University					
Student Housing	25,800	1,725	(840)	885	06/01/15
Longwood University					
Renovate Housing Facilities	3,915	350	(170)	180	06/01/15
Old Dominion University					
Renovate Housing - Phase I	4,735	420	(205)	215	06/01/15
University of Mary Washington					
Seacobeck Dining Hall	4,730	420	(205)	215	06/01/15
<b>Subtotal Series 2005 Bonds</b>	<b>54,535</b>	<b>4,250</b>	<b>(2,070)</b>	<b>2,180</b>	
<b>Series 2006 Refunding Bonds</b>					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	1,225	(135)	1,090	06/01/15-21
The College of William and Mary					
Dorm - '96 Refunding, Refunded Portion	100	20	(20)	-	
Dorm, Phase II -'96 Refunding, Refunded Portion	1,525	520	(255)	265	06/01/15
<b>Subtotal Series 2006 Refunding Bonds</b>	<b>3,350</b>	<b>1,765</b>	<b>(410)</b>	<b>1,355</b>	
<b>Series 2006 Bonds</b>					
The College of William and Mary					
Renovate Dormitories	4,515	600	(190)	410	06/01/15-16
George Mason University					
Construct Student Housing VII	39,080	16,050	(1,225)	14,825	06/01/15-16, 27-31
Renovate Housing Facilities	2,420	930	(295)	635	06/01/15-16
James Madison University					
Renovate Residence Hall Phase III	6,230	820	(260)	560	06/01/15-16
Longwood University					
Renovate Housing Facilities	5,900	775	(245)	530	06/01/15-16
Old Dominion University					
Construct Residence Hall Phase II	8,785	1,155	(365)	790	06/01/15-16
Virginia Polytechnic Institute and State University					
Parking Projects	685	90	(30)	60	06/01/15-16
Virginia State University					
Construct Dining Hall	4,330	600	(190)	410	06/01/15-16
Construct Residence Halls	16,780	2,330	(740)	1,590	06/01/15-16
<b>Subtotal Series 2006 Bonds</b>	<b>88,725</b>	<b>23,350</b>	<b>(3,540)</b>	<b>19,810</b>	

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2007 Bonds</b>					
George Mason University					
Construct Student Housing VII and Entrance Road	15,495	9,070	(475)	8,595	06/01/15-18, 26-32
Construct Student Housing, VII	2,010	1,145	(60)	1,085	06/01/15-18, 26-32
Renovate Student Housing, President's Park I	3,130	1,560	(360)	1,200	06/01/15-17
James Madison University					
Construct Dining Hall	20,840	7,615	(845)	6,770	06/01/15-18, 26-27
Renovate Bluestone Residence Hall, Phase III	2,280	835	(95)	740	06/01/15-18, 26-27
Longwood University					
Renovate Cox Hall	6,250	2,280	(255)	2,025	06/01/15-18, 26-27
Old Dominion University					
Construct Residence Hall, Phase II	16,115	5,890	(655)	5,235	06/01/15-18, 26-27
Virginia Commonwealth University					
Monroe Park Housing	15,525	10,705	(335)	10,370	06/01/15-18, 26-37
Virginia Polytechnic Institute and State University					
Construct New Residence Hall	13,130	3,180	(575)	2,605	06/01/15-18
Improve Residence and Dining Halls	5,995	1,455	(265)	1,190	06/01/15-18
Virginia State University					
Construct Residence Halls	2,020	455	(85)	370	06/01/15-18
Construct Two Residence Halls	26,160	10,420	(1,155)	9,265	06/01/15-18, 26-27
<b>Subtotal Series 2007 Bonds</b>	<b>128,950</b>	<b>54,610</b>	<b>(5,160)</b>	<b>49,450</b>	
<b>Series 2008 Bonds</b>					
Christopher Newport University					
1998 Refunded Portion 92C	1,664	5	(5)	-	
The College of William and Mary					
Renovate Graduate Student Residence Halls	2,395	2,055	(95)	1,960	06/01/15-28
George Mason University					
Renovate Commonwealth and Dominion Phase II	1,530	930	(170)	760	06/01/15-18
Renovate President's Park Phase I	3,095	1,880	(340)	1,540	06/01/15-18
Renovate President's Park Phase II	3,120	2,770	(130)	2,640	06/01/15-28
Student Housing VII	1,955	1,730	(50)	1,680	06/01/15-33
Student Housing VII and Entrance Road	23,870	22,055	(665)	21,390	06/01/15-33
James Madison University					
Construct New Residence Hall	19,430	16,155	(750)	15,405	06/01/15-28
Longwood University					
Renovate Cox Hall	4,630	3,845	(180)	3,665	06/01/15-28
Old Dominion University					
Quad Housing Phase II	39,960	33,235	(1,540)	31,695	06/01/15-28
Virginia Polytechnic Institute and State University					
New Residence Hall	17,185	14,745	(685)	14,060	06/01/15-28
Parking Auxiliary Projects	1,545	1,285	(60)	1,225	06/01/15-28
<b>Subtotal Series 2008 Bonds</b>	<b>120,379</b>	<b>100,690</b>	<b>(4,670)</b>	<b>96,020</b>	
<b>Series 2009 Bonds</b>					
Christopher Newport University					
Residence Hall '01 Refunded Portion	1,878	1,878	-	1,878	06/01/15-21
The College of William and Mary					
Dining Commons Hall Renovation '05 Refunded Portion	3,200	3,200	-	3,200	06/01/17-22
Dormitory Renovations '06B Refunded Portion	1,270	1,270	-	1,270	06/01/18-22
Dormitory Renovations '02 Refunded	2,582	2,582	(46)	2,536	06/01/15-22
Dormitory Renovations '05 Refunded	1,940	1,940	-	1,940	06/01/17-22
Dormitory Renovations '01 Refunded Portion	384	384	-	384	06/01/15-21

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2009 Bonds (continued)</b>					
George Mason University					
Housing Building V '01 Refunded Portion	6,267	6,267	-	6,267	06/01/15-24
Housing Building V '02 Refunded Portion	4,448	4,448	(81)	4,367	06/01/15-22
Housing V III	7,910	7,705	(220)	7,485	06/01/15-34
Renovate President Park Phase I	1,790	1,270	(190)	1,080	06/01/15-19
Student Housing Construction VII '05 Refunded	6,630	6,630	-	6,630	06/01/17-22
Student Housing V II C	8,255	7,655	(215)	7,440	06/01/15-34
Student Housing Construction VII '06B Refunded	8,230	8,230	-	8,230	06/01/18-22
James Madison University					
Bluestone Dorm Phase II '01 Refunded Portion	458	458	-	458	06/01/15-21
Renovate Bluestone Res Hall III '06B Refunded Portion	1,750	1,750	-	1,750	06/01/18-22
Renovate Bluestone Dorms '02 Refunded Portion	1,048	1,048	(19)	1,029	06/01/15-22
Renovate Bluestone Dorms II '02 Refunded Portion	1,089	1,089	(20)	1,069	06/01/15-22
Longwood University					
Housing Facilities Renovations '05 Refunded Portion	1,340	1,340	-	1,340	06/01/17-22
Renovate Housing Facilities '06B Refunded Portion	1,655	1,655	-	1,655	06/01/18-22
Old Dominion University					
Construct Residence Hall Ph II '06B Refunded Portion	2,465	2,465	-	2,465	06/01/18-22
Housing Renovations '02 Refunded Portion	1,319	1,319	(23)	1,296	06/01/15-22
Housing Renovations Ph I '05 Refunded Portion	1,625	1,625	-	1,625	06/01/17-22
University of Mary Washington					
Residence Hall Renovation '01 Refunded Portion	153	153	-	153	06/01/15-21
Seacobeck Dining Hall '05 Refunded Portion	1,625	1,625	-	1,625	06/01/17-22
University of Virginia					
Residence Hall Monroe Lane '01 Refunded Portion	368	368	-	368	06/01/15-21
Virginia Military Institute					
Crozet Hall & Parking '04A Refunded Portion	4,242	4,242	-	4,242	06/01/16-22
Virginia Polytechnic Institute and State University					
Parking Aux Projects '06B Refunded Portion	190	190	-	190	06/01/18-22
Improve Residence and Dining Halls	3,720	3,445	(145)	3,300	06/01/15-29
Parking Auxiliary Project '02 Refunded Portion	276	276	(25)	251	06/01/15-17
Parking Structure	24,590	23,355	(660)	22,695	06/01/15-34
Renovate Dietrick Servery Ph II '04A Refunded Portion	1,891	1,891	-	1,891	06/01/16-22
Renovate Ambler Johnston Hall	39,005	36,125	(1,541)	34,584	06/01/15-29
Virginia State University					
Construct Residence Hall '06B Refunded Portion	4,965	4,965	-	4,965	06/01/18-22
Construct Dining Hall '06B Refunded Portion	1,280	1,280	-	1,280	06/01/18-22
<b>Subtotal Series 2009 Bonds</b>	<b>149,838</b>	<b>144,123</b>	<b>(3,185)</b>	<b>140,938</b>	
<b>Series 2010 Bonds</b>					
Christopher Newport University					
Construct Residence Hall	34,480	33,660	(855)	32,805	06/01/15-40
The College of William and Mary					
Construct New Dormitory	2,010	1,805	(85)	1,720	06/01/15-30
Renovate Residence Halls	4,440	3,980	(190)	3,790	06/01/15-30
George Mason University					
Housing V III	39,420	38,180	(1,290)	36,890	06/01/15-35
Renovate Commons	1,325	1,270	(60)	1,210	06/01/15-30
Renovate Student Housing, President's Park II	2,790	2,240	(290)	1,950	06/01/15-20
Smithsonian CRC Housing	5,415	5,245	(180)	5,065	06/01/15-35
James Madison University					
Renovate Bluestone Dormitories, Phase IV	14,890	13,350	(630)	12,720	06/01/15-30

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2010 Bonds (continued)</b>					
Old Dominion University					
Renovate Student Housing, Phase I	1,975	1,770	(85)	1,685	06/01/15-30
Virginia Commonwealth University					
Construct West Grace Housing and Parking Phase I	29,130	28,210	(955)	27,255	06/01/15-35
Virginia Polytechnic Institute and State University					
Construct Academic and Student Affairs Building	34,650	31,800	(1,505)	30,295	06/01/15-30
Parking Auxiliary Projects	745	665	(30)	635	06/01/15-30
<b>Subtotal Series 2010 Bonds</b>	<b>171,270</b>	<b>162,175</b>	<b>(6,155)</b>	<b>156,020</b>	
<b>Series 2011 Bonds</b>					
Christopher Newport University					
Renovate Santoro Residence Hall	4,100	3,480	(280)	3,200	06/01/15-21
The College of William and Mary					
Construct New Dormitory	14,400	13,850	(525)	13,325	06/01/15-31
George Mason University					
Housing VIII	20,230	19,705	(535)	19,170	06/01/15-36
Presidential Park Housing Renovation	2,700	2,425	(200)	2,225	06/01/15-21
Renovate Commons	14,350	14,350	(545)	13,805	06/01/15-31
Smithsonian CRC Housing	4,070	4,070	(110)	3,960	06/01/15-36
Student Housing VII-C	1,045	1,020	(15)	1,005	06/01/15-36
Virginia Commonwealth University					
West Grace Housing - North	25,830	25,830	(705)	25,125	06/01/15-36
Virginia Polytechnic Institute and State University					
Renovate Ambler Johnston Hall	18,860	18,140	(685)	17,455	06/01/15-31
Virginia State University					
Construct Gateway Residence Hall Phase II	34,735	32,695	(1,235)	31,460	06/01/15-31
Construct Quad Phase II	28,555	28,555	(1,085)	27,470	06/01/15-31
<b>Subtotal Series 2011 Bonds</b>	<b>168,875</b>	<b>164,120</b>	<b>(5,920)</b>	<b>158,200</b>	
<b>Series 2012 Bonds</b>					
The College of William and Mary					
Dining Commons Hall Renovation 2005 Refunding	1,289	1,289	-	1,289	06/01/23-24
Dorm Renovation - 2005 Refunding	780	780	-	780	06/01/23-24
Dorm Repairs - 2002 Refunding (96 Ref)	429	377	(119)	258	06/01/15-16
Underground Utilities - 2002 Refunding (95 Ref)	388	340	(108)	232	06/01/15-16
George Mason University					
Student Housing Construction, VII - 2005 Refunding	2,674	2,674	-	2,674	06/01/23-24
University Center - 2002 Refunding (93A Ref)	3,956	3,255	(1,597)	1,658	06/01/15
Longwood University					
Dining Hall - 2002 Refunding (96 Ref)	1,472	1,293	(414)	879	06/01/15-16
Housing Facilities Renovation - 2005 Refunding	545	545	-	545	06/01/23-24
Old Dominion University					
Housing Renovation, Phase I - 2005 Refunding	655	655	-	655	06/01/23-24
University of Mary Washington					
Seacobeck Dining Hall - 2005 Refunding	655	655	-	655	06/01/23-24
University of Virginia					
Newcomb Hall - 2002 Refunding (95 Ref)	2,752	2,412	(776)	1,636	06/01/15-16
Student Residence - 2002 Refunding (95 Ref)	1,241	1,089	(352)	737	06/01/15-16
Virginia Commonwealth University					
Visitors Deck - 2002 Refunding (96 Ref)	871	763	(243)	520	06/01/15-16
Virginia Military Institute					
Crozet Hall & Parking - 2004A Refunding	3,019	3,019	-	3,019	06/01/15, 23-25

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2012 Bonds (continued)</b>					
Virginia Polytechnic Institute and State University					
Renovate Dietrick Servery -2004A Refunding	942	942	-	942	06/01/15, 23-24
Virginia State University					
Jones Hall - 2002 Refunding (96 Ref)	646	565	(181)	384	06/01/15-16
<b>Subtotal Series 2012 Bonds</b>	<b>22,314</b>	<b>20,653</b>	<b>(3,790)</b>	<b>16,863</b>	
<b>Series 2013 Bonds</b>					
The College of William and Mary					
Construct New Dormitory	8,770	8,770	(295)	8,475	06/01/15-33
Dining Commons Hall Renovation - 2005A Ref Portion	1,831	1,831	-	1,831	06/01/16, 25-26
Dorm Renovations - 2005A Ref Portion	1,113	1,113	-	1,113	06/01/16, 25-26
Dorm Renovations - 2006B Ref Portion	1,412	1,412	-	1,412	06/01/17, 23-26
Renovate Dormitory	4,660	4,660	(155)	4,505	06/01/15-33
George Mason University					
Construct Student Housing VII & Entrance Rd - 2007B Ref Portion	4,579	4,579	-	4,579	06/01/19-25
Construct Student Housing VII - 2007B Refunded Portion	584	584	-	584	06/01/19-25
Construct Student Housing VII - 2006B Refunded Portion	9,187	9,187	-	9,187	06/01/17, 23-26
Student Housing Construction, VII - 2005A Ref Portion	10,504	10,504	-	10,504	06/01/16, 25-30
James Madison University					
Construct Dining Hall - 2007B Refunded Portion	8,207	8,207	-	8,207	06/01/19-25
Renovate Bluestone Residence Hall, Ph 3 -2007B Ref Portion	893	893	-	893	06/01/19-25
Renovate Residence Hall - 2006B Refunded Portion	1,953	1,953	-	1,953	06/01/17, 23-26
Longwood University					
Housing Facility Renovation - 2005A Refunded Portion	472	472	-	472	06/01/16, 25
Renovate Cox Hall - 2007B Refunded Portion	2,461	2,461	-	2,461	06/01/19-25
Renovate Housing Facilities - 2006B Refunded Portion	1,852	1,852	-	1,852	06/01/17, 23-26
Old Dominion University					
Construct Residence Hall, Ph II - 2007B Refunded Portion	6,344	6,344	-	6,344	06/01/19-25
Construct Residence Hall, Ph II - 2006B Refunded Portion	2,761	2,761	-	2,761	06/01/17, 23-26
Housing Renovations, Ph I - 2005A Refunded Portion	570	570	-	570	06/01/16, 25
Radford University					
Washington Hall	5,040	5,040	(170)	4,870	06/01/15-33
University of Mary Washington					
Seacobeck Dining Hall - 2005A Refunded Portion	565	565	-	565	06/01/16, 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	217	-	217	06/01/17, 23-26
Virginia State University					
Construct Dining Hall - 2006B Refunded Portion	1,431	1,431	-	1,431	06/01/17, 23-26
Construct Residence Hall - 2007B Refunded Portion	1,132	1,132	-	1,132	06/01/19-27
Construct Residence Halls - 2006B Refunded Portion	5,541	5,541	-	5,541	06/01/17, 23-26
Construct Two Residence Halls - 2007B Refunded Portion	11,231	11,231	-	11,231	06/01/19-25
<b>Subtotal Series 2013 Bonds</b>	<b>107,980</b>	<b>107,980</b>	<b>(620)</b>	<b>107,360</b>	
<b>Series 2014 Bonds</b>					
Christopher Newport University					
New Residence Hall - 2004B Refunded Portion	8,147	-	8,147	8,147	06/01/15-20
Residence Hall II - 2004B Refunding Portion	4,210	-	4,210	4,210	06/01/15-19

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2014 Bonds (continued)</b>					
College Of William and Mary					
Renovate Dormitories - 2004B Refunding Portion	1,666	-	1,666	1,666	06/01/15-20
Dormitory Renovation Phase II - 2004B Refunding Portion	120	-	120	120	06/01/15-17
Dormitory Repairs - 2004B Refunding Portion	650	-	650	650	06/01/15-17
Utility System - 2004B Refunding Portion	311	-	311	311	06/01/15-17
Dormitory Renovation - 2004B Refunding Portion	1,551	-	1,551	1,551	06/01/15-18
Renovate Dormitories	9,005	-	9,005	9,005	06/01/15-34
George Mason University					
Housing Building V - 2004B Refunding Portion	6,306	-	6,306	6,306	06/01/15-20
Student Housing VIII	2,235	-	2,235	2,235	06/01/15-34
James Madison University					
Bluestone Dormitory Phase II- 2004B Refunding Portion	1,985	-	1,985	1,985	06/01/15-20
Dining Hall Renovation - 2004B Refunding Portion	254	-	254	254	06/01/15-17
Residence Hall - 2004B Refunding Portion	2,232	-	2,232	2,232	06/01/15-17
Student Services - 2004B Refunding Portion	1,191	-	1,191	1,191	06/01/15-17
Dining Facilities Renovation - 2004B Refunding Portion	260	-	260	260	06/01/15-18
Student Housing Phase I	46,660	-	46,660	46,660	06/01/15-34
Longwood University					
Dining Hall - 2004B Refunding Portion	934	-	934	934	06/01/15-19
Residence Hall Improvements - 2004B Refunding Portion	880	-	880	880	06/01/15-19
Radford University					
Renovate Residence Halls	11,080	-	11,080	11,080	06/01/15-34
University of Mary Washington					
Residence Hall Renovation - 2004B Refunding Portion	656	-	656	656	06/01/15-20
University of Virginia					
Residence Hall - Monroe Lane - 2004B Refunding Portion	1,595	-	1,595	1,595	06/01/15-20
Residence Hall - Wise- 2004B Refunding Portion	1,512	-	1,512	1,512	06/01/15-19
Virginia Commonwealth University					
Academic Parking Deck - 2004B Refunding Portion	2,429	-	2,429	2,429	06/01/15-17
Virginia Polytechnic Institute and State University					
Parking Auxilliary Projects - 2004B Refunding Portion	300	-	300	300	06/01/15-17
Residence Hall - 2004B Refunding Portion	3,151	-	3,151	3,151	06/01/15-17
Dining Hall - 2004B Refunding Portion	793	-	793	793	06/01/15-18
Dining Hall HVAC - 2004B Refunding Portion	587	-	587	587	06/01/15-19
Virginia State University					
Jones Dining Hall - 2004B Refunding Portion	255	-	255	255	06/01/15-18
<b>Subtotal Series 2014 Bonds</b>	<b>110,955</b>	<b>-</b>	<b>110,955</b>	<b>110,955</b>	
Unamortized Premium	-	60,776	5,159	65,935	
<b>Subtotal Higher Educational Institution Bonds</b>	<b>1,234,957</b>	<b>900,492</b>	<b>24,594</b>	<b>925,086</b>	
<b>Transportation Facilities Bonds (Primary Government)</b>					
Series 2006, Coleman Refunding	31,880	21,420	(2,290)	19,130	06/01/15-21
Unamortized Premium	-	575	(73)	502	
<b>Subtotal Transportation Facilities Bonds</b>	<b>31,880</b>	<b>21,995</b>	<b>(2,363)</b>	<b>19,632</b>	

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Parking Facilities Bonds (Primary Government)</b>					
Series 2004	5,390	250	(250)	-	
Series 2009	13,755	12,310	(525)	11,785	06/01/15-29
Series 2009 Refunding	2,122	2,122		2,122	06/01/16-22
Series 2012 Refunding (2002 Ref)	82	66	(30)	36	06/01/15
Series 2012 Refunding (2004A Ref)	1,061	1,061		1,061	06/01/15, 23-24
Unamortized Premium	-	2,228	(187)	2,041	
<b>Subtotal Parking Facilities Bonds</b>	<b>22,410</b>	<b>18,037</b>	<b>(992)</b>	<b>17,045</b>	
<b>Total Section 9(c) Debt</b>	<b>1,289,247</b>	<b>940,524</b>	<b>21,239</b>	<b>961,763</b>	
<b>Total General Obligation Debt</b>	<b>2,698,047</b>	<b>1,725,196</b>	<b>(57,241)</b>	<b>1,667,955</b>	
<b>Nongeneral Obligation Debt</b>					
<b>Section 9(d) Debt</b>					
<b>Virginia Public Building Authority Bonds (Primary Government)</b>					
Series 2003A Refunding	38,809	5,865	(4,885)	980	08/01/14
Series 2004A Refunding	187,106	76,885	(20,470)	56,415	08/01/14-16
Series 2004B	207,065	35,370	(13,570)	21,800	08/01/14-15
Series 2004C Refunding	39,260	12,720	(4,020)	8,700	08/01/14-15
Series 2004D Refunding	106,460	86,140	(8,550)	77,590	08/01/14-20
Series 2005A Refunding	47,305	23,025	(4,055)	18,970	08/01/14-18
Series 2005B Refunding	135,675	67,195	(12,295)	54,900	08/01/14-19
Series 2005C	165,810	50,410	(14,585)	35,825	08/01/14-16
Series 2005D	50,000	50,000	-	50,000	08/01/22-25
Series 2006A	135,000	63,925	(3,365)	60,560	08/01/14-26
Series 2006B	215,065	104,870	(10,985)	93,885	08/01/14-26
Series 2007A	242,480	189,220	(13,190)	176,030	08/01/14-27
Series 2008B	150,000	130,860	(5,540)	125,320	08/01/14-28
Series 2009A	40,995	32,830	(2,910)	29,920	08/01/14-21
Series 2009B	265,000	231,595	(13,565)	218,030	08/01/14-29
Series 2009C	10,000	7,915	(735)	7,180	08/01/14-21
Series 2009D Refunding	42,745	40,820	(4,495)	36,325	08/01/14-21
Series 2010A1	60,520	37,660	(12,065)	25,595	08/01/14-15
Series 2010A2 BABs	256,710	256,710	-	256,710	08/01/16-30
Series 2010B1	87,510	70,120	(10,335)	59,785	08/01/14-18
Series 2010B2 Taxable BABs	195,310	195,310	(50)	195,260	08/01/19-30
Series 2010B3 Refunding	50,780	50,445	(345)	50,100	08/01/14-22
Series 2011A	280,000	271,455	(9,050)	262,405	08/01/14-31
Series 2011B	18,500	17,800	(715)	17,085	08/01/14-31
Series 2012A Refunding	72,415	72,415	-	72,415	08/01/16-24
Series 2013A	143,400	143,400	-	143,400	08/01/14-33
Series 2013B Refunding	72,370	72,370	-	72,370	08/01/19-23
Unamortized Premium	-	165,337	(18,057)	147,280	
<b>Total Virginia Public Building Authority Bonds</b>	<b>3,316,290</b>	<b>2,562,667</b>	<b>(187,832)</b>	<b>2,374,835</b>	

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)**

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>Nongeneral Obligation Debt (continued)</b>					
<b>Section 9(d) Debt (continued)</b>					
<b>Virginia College Building Authority Bonds (Component Unit) (2)</b>					
<b>21st Century College Program</b>					
Series 2004A	172,745	5,950	(5,950)	-	
Series 2004B Refunding	61,395	32,850	(32,850)	-	
Series 2005	115,785	10,865	(7,780)	3,085	02/01/15
Series 2006BC	120,000	95,300	(5,745)	89,555	02/01/15-26
Series 2007A	59,125	59,125	(930)	58,195	02/01/15-22
Series 2007B	132,095	18,890	(2,050)	16,840	02/01/15-17, 25-27
Series 2008A	144,075	94,655	(11,210)	83,445	02/01/15-28
Series 2009A	284,020	247,040	(9,405)	237,635	02/01/15-29
Series 2009B	84,680	50,375	(9,115)	41,260	02/01/15-18
Series 2009C Refunding	12,945	6,575	(1,045)	5,530	02/01/15
Series 2009D	52,420	32,425	(7,610)	24,815	02/01/15-17
Series 2009E Refunding	208,860	204,010	(9,750)	194,260	02/01/15-24
Series 2009F1	14,365	14,365	(14,365)	-	
Series 2009F2 Taxable BABs	390,575	390,575	-	390,575	02/01/15-30
Series 2010A	50,350	29,600	(7,070)	22,530	02/01/15-17
Series 2010B1	55,815	30,635	(14,945)	15,690	02/01/15
Series 2010B2 Taxable BABs	290,600	290,600	-	290,600	02/01/16-30
Series 2011A	272,515	264,825	(13,775)	251,050	02/01/15-32
Series 2012A	335,075	316,440	(15,340)	301,100	02/01/15-32
Series 2012B	349,255	349,255	(8,180)	341,075	02/01/15-33
Series 2012C	8,350	8,350	(1,670)	6,680	02/01/15-18
Series 2013A	331,705	-	331,705	331,705	02/01/15-34
Series 2014A	319,155	-	319,155	319,155	02/01/15-34
Series 2014B	27,985	-	27,985	27,985	02/01/15-20, 25
Unamortized Premium	-	185,200	48,154	233,354	
<b>Total Virginia College Building Authority Bonds</b>	<b>3,933,405</b>	<b>2,737,905</b>	<b>548,214</b>	<b>3,286,119</b>	
<b>Transportation Debt (Primary Government)</b>					
Route 28 Refunding Bonds	111,680	90,692	(3,165)	87,527	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	347,980	(52,545)	295,435	11/15/03-26
Northern Virginia Transportation District Program	324,410	255,160	(27,980)	227,180	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	15,825	(1,435)	14,390	11/15/03-22
Capital Projects	492,665	1,620,015	(42,560)	1,577,455	11/15/10-37
Unamortized Premium	-	165,640	5,755	171,395	
<b>Total Section 9(d) Transportation Debt</b>	<b>1,568,450</b>	<b>2,495,312</b>	<b>(121,930)</b>	<b>2,373,382</b>	
<b>Virginia Port Authority Debt (Component Unit)</b>					
Series 2005	60,000	5,520	(1,750)	3,770	07/01/05-30
Series 2006	21,730	9,575	(2,590)	6,985	07/01/07-16
Series 2011	57,370	57,370	-	57,370	07/01/11-36
Series 2012	108,015	108,015	(6,300)	101,715	01/01/12-27
Series 2012B	45,230	45,230	(635)	44,595	07/01/13-29
Series 2012C	4,795	4,795	-	4,795	07/01/13-30
Unamortized Premium	-	2,676	138	2,814	
<b>Total Virginia Port Authority Debt</b>	<b>297,140</b>	<b>233,181</b>	<b>(11,137)</b>	<b>222,044</b>	

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>Nongeneral Obligation Debt (continued)</b>					
<b>Section 9(d) Debt (continued)</b>					
<b>Innovation and Entrepreneurship Investment</b>					
<b>Authority Debt (Component Unit)</b>					
Series 1997	13,300	1,220	(1,220)	-	
<b>Virginia Biotechnology Research Partnership</b>					
<b>Authority (Component Unit)</b>					
Series 2009	91,010	34,905	(3,270)	31,635	09/01/03-22
Unamortized Discount	-	(502)	502	-	
Unamortized Premium	-	3,070	(350)	2,720	
	<u>91,010</u>	<u>37,473</u>	<u>(3,118)</u>	<u>34,355</u>	
<b>Economic Development Authority Obligations</b>	96,515	74,830	(24,665)	50,165	12/01/06-26
Unamortized Premium	-	2,642	4,814	7,456	
	<u>96,515</u>	<u>77,472</u>	<u>(19,851)</u>	<u>57,621</u>	
<b>Total Section 9(d) Debt</b>	<u>9,316,110</u>	<u>8,145,230</u>	<u>203,126</u>	<u>8,348,356</u>	
<b>Nongeneral Obligation Debt and Other Obligations</b>					
<b>Other Long-term Debt (2)</b>					
Capital Leases	-	157,466	(14,361)	143,105	
Installment Purchase Obligations	-	192,682	(2,220)	190,462	
Transportation Notes Payable	-	8,000	(8,000)	-	
Regional Jail Construction Liability	-	837	(837)	-	
Tax Refund Note	-	20,319	(20,319)	-	
Aviation Note Payable	6,600	764	(235)	529	
<b>Total Other Long-term Debt</b>	<u>6,600</u>	<u>380,068</u>	<u>(45,972)</u>	<u>334,096</u>	
<b>Other Long-term Obligations</b>					
Compensated Absences	-	582,774	18,983	601,757	
Pension Liability	-	2,799,523	381,918	3,181,441	
OPEB Liability	-	1,076,157	194,322	1,270,479	
Other	-	33,100	16,718	49,818	
<b>Total Other Long-term Obligations</b>	<u>-</u>	<u>4,491,554</u>	<u>611,941</u>	<u>5,103,495</u>	
<b>Total Nongeneral Obligation Debt and Other Obligations</b>	<u>9,322,710</u>	<u>13,016,852</u>	<u>769,095</u>	<u>13,785,947</u>	
<b>Total Tax-Supported Debt and Other Obligations</b>	<u>\$ 12,020,757</u>	<u>\$ 14,742,048</u>	<u>\$ 711,854</u>	<u>\$ 15,453,902</u>	

- (1) As discussed in Note 13, the Commonwealth implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, outstanding balances have been restated.
- (2) These amounts are reported as notes payable on the higher education institutions' financial statements.
- (3) 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.

## Contents

<b>Financial Trends</b> .....	291
These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and well-being have changed over time.	
Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental	
Revenues by Source and Expenditures by Function	
Net Position by Component – Accrual Basis of Accounting	
Changes in Net Position – Accrual Basis of Accounting	
Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting	
Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting	
Comparison of General Fund Balance	
<b>Revenue Capacity</b> .....	305
These schedules contain information to help the reader assess the factors affecting the Commonwealth's ability to generate its income taxes.	
Personal Income Tax Rates	
Effective Tax Rates	
Personal Income Tax Filers and Liability by Income Level	
Personal Income by Industry	
Taxable Sales by Business Class	
Sales Tax Revenue by Business Class	
<b>Debt Capacity</b> .....	313
These schedules present information to help the reader assess the affordability of the Commonwealth's current levels of outstanding debt and the Commonwealth's ability to issue debt in the future.	
Ratios of Outstanding Debt by Type	
Ratios of General Obligation Bonded Debt Outstanding	
Computation of Legal Debt Limit and Margin	
Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt	
<b>Demographic and Economic Information</b> .....	319
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commonwealth's financial activities take place and to help make comparisons over time and with other governments.	
Schedule of Demographic and Economic Statistics	
Principal Employers	
<b>Operating Information</b> .....	321
These schedules contain information about the Commonwealth's operations and resources to help the reader understand how the Commonwealth's financial information relates to the services the Commonwealth provides and the activities it performs.	
State Employees by Function	
Operating Indicators by Function	
Capital Asset Statistics by Function	
<b>Employees of the Department of Accounts</b> .....	330
<b>Sources:</b> Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	



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## Financial Trends

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**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)

	2014	2013	2012	2011
<b>Tax Revenues:</b>				
Individual and Fiduciary Income	\$ 11,659	\$ 11,378	\$ 10,714	\$ 10,050
Sales and Use	4,606	3,935	3,866	3,674
Motor Fuels	793	879	900	903
Corporation Income	774	778	950	827
Public Service Corporations	119	116	115	113
Motor Vehicle Sales and Use	781	582	538	495
Communications Sales and Use	422	425	425	556
Gross Premiums of Insurance Companies	449	396	391	412
Alcoholic Beverage Sales	132	127	121	114
Deeds, Contracts, Wills, and Suits	395	436	371	335
Beer and Beverage Excise	43	43	44	44
Estate	-	-	-	2
Tobacco Products	182	182	195	175
Bank Stock	23	20	19	25
Wine and Spirits/ABC Liter	26	25	24	23
Other Taxes	95	78	75	77
<b>Total Tax Revenues</b>	<b>20,499</b>	<b>19,400</b>	<b>18,748</b>	<b>17,825</b>
<b>Other Revenues:</b>				
Federal Grants and Contracts	9,681	9,913	9,933	10,749
Institutional Revenue	325	360	385	384
Sales of Property and Commodities	56	35	41	36
Rights and Privileges	950	957	921	917
Interest, Dividends, and Rents	144	83	164	159
Fines, Forfeitures, Costs, Penalties and Escheats	435	366	362	368
Assessments	132	125	120	122
Other Revenues	739	824	814	712
<b>Total Other Revenues</b>	<b>12,462</b>	<b>12,663</b>	<b>12,740</b>	<b>13,447</b>
<b>Total Revenues</b>	<b>\$ 32,961</b>	<b>\$ 32,063</b>	<b>\$ 31,488</b>	<b>\$ 31,272</b>
Percentage Increase Over Previous Year	2.8%	1.8%	0.7%	5.7%
<b>Expenditures by Function:</b>				
Education	\$ 8,970	\$ 8,886	\$ 8,733	\$ 8,682
Administration of Justice	2,724	2,566	2,422	2,398
Individual and Family Services	13,196	13,039	12,682	12,688
Resources and Economic Development	912	876	870	886
Transportation	5,057	4,613	4,474	3,860
General Government (1)	3,238	3,187	3,007	3,129
Capital Outlay	194	219	330	439
<b>Total Expenditures</b>	<b>\$ 34,291</b>	<b>\$ 33,386</b>	<b>\$ 32,518</b>	<b>\$ 32,082</b>
Percentage Increase Over Previous Year	2.7%	2.7%	1.4%	2.4%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) General Government expenditure amounts include debt service principal retirement and interest charges.

Source: Department of Accounts

2010	2009	2008	2007	2006	2005
\$ 8,730	\$ 9,471	\$ 10,084	\$ 9,629	\$ 9,236	\$ 8,344
3,553	3,568	3,820	3,760	3,682	3,569
891	889	924	930	902	912
833	642	767	889	869	644
112	103	106	89	91	89
440	406	534	588	593	599
453	-	-	-	-	-
391	387	397	385	374	374
111	110	106	100	94	89
326	351	457	584	696	597
44	45	44	44	44	43
6	4	136	140	167	161
178	182	183	188	189	122
24	21	14	13	12	10
21	20	19	18	16	14
74	77	68	79	78	71
<u>16,187</u>	<u>16,276</u>	<u>17,659</u>	<u>17,436</u>	<u>17,043</u>	<u>15,638</u>

10,628	8,113	6,627	6,204	5,958	5,627
403	409	390	360	343	324
32	26	29	24	32	37
870	889	933	826	816	758
294	218	452	532	256	204
343	349	394	334	279	317
116	113	109	110	103	105
704	611	645	558	634	685
13,390	10,728	9,579	8,948	8,421	8,057
<u>\$ 29,577</u>	<u>\$ 27,004</u>	<u>\$ 27,238</u>	<u>\$ 26,384</u>	<u>\$ 25,464</u>	<u>\$ 23,695</u>

9.5%	-0.9%	3.2%	3.6%	7.5%	10.5%
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\$ 8,843	\$ 9,260	\$ 8,940	\$ 8,700	\$ 7,661	\$ 7,068
2,399	2,531	2,543	2,398	2,296	2,204
12,236	10,764	9,345	8,996	8,626	8,060
897	990	868	812	788	708
3,401	3,704	3,883	3,141	3,092	3,115
2,932	2,512	2,612	2,545	2,246	2,101
619	612	845	808	588	414
<u>\$ 31,327</u>	<u>\$ 30,373</u>	<u>\$ 29,036</u>	<u>\$ 27,400</u>	<u>\$ 25,297</u>	<u>\$ 23,670</u>

3.1%	4.6%	6.0%	8.3%	6.9%	8.7%
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**Net Position by Component**  
**Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Governmental Activities:</b>				
Net Investment in Capital Assets (1)	\$ 22,317	\$ 20,259	\$ 19,891	\$ 18,320
Restricted	1,465	1,456	1,648	1,171
Unrestricted	(2,820)	(1,531)	(2,216)	(1,596)
<b>Total Governmental Activities Net Position</b>	<u>20,962</u>	<u>20,184</u>	<u>19,323</u>	<u>17,895</u>
<b>Business-type Activities:</b>				
Net Investment in Capital Assets (1)	12	30	34	35
Restricted	587	371	179	16
Unrestricted	563	261	143	70
<b>Total Business-type Activities Net Position</b>	<u>1,162</u>	<u>662</u>	<u>356</u>	<u>121</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets (1)	22,329	20,289	19,925	18,355
Restricted	2,052	1,827	1,827	1,187
Unrestricted	(2,257)	(1,270)	(2,073)	(1,526)
<b>Total Primary Government Net Position</b>	<u>\$ 22,124</u>	<u>\$ 20,846</u>	<u>\$ 19,679</u>	<u>\$ 18,016</u>

(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

2010	2009	2008	2007	2006	2005
\$ 17,424	\$ 16,209	\$ 15,241	\$ 13,835	\$ 11,637	\$ 11,830
1,160	1,421	1,641	1,893	1,588	1,252
(1,887)	(1,555)	516	944	2,874	841
<u>16,697</u>	<u>16,075</u>	<u>17,398</u>	<u>16,672</u>	<u>16,099</u>	<u>13,923</u>
31	23	26	30	32	(132)
16	372	816	872	790	600
(169)	(180)	59	212	17	(49)
<u>(122)</u>	<u>215</u>	<u>901</u>	<u>1,114</u>	<u>839</u>	<u>419</u>
17,455	16,232	15,267	13,865	11,669	11,698
1,176	1,793	2,457	2,765	2,378	1,852
(2,056)	(1,735)	575	1,156	2,891	792
<u>\$ 16,575</u>	<u>\$ 16,290</u>	<u>\$ 18,299</u>	<u>\$ 17,786</u>	<u>\$ 16,938</u>	<u>\$ 14,342</u>

**Changes in Net Position  
Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

	2014	2013	2012	2011
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General Government	\$ 3,362	\$ 3,019	\$ 2,878	\$ 2,917
Education	9,431	9,281	9,181	9,086
Transportation	3,602	3,307	3,030	2,839
Resources and Economic Development	940	928	985	1,006
Individual and Family Services	13,116	12,941	12,712	12,663
Administration of Justice	2,927	2,760	2,639	2,641
Interest and Charges on Long-term Debt	238	255	229	228
<b>Total Governmental Activities Expenses</b>	<b>33,616</b>	<b>32,491</b>	<b>31,654</b>	<b>31,380</b>
<b>Business-type Activities:</b>				
Virginia Lottery	1,266	1,194	1,121	1,030
Virginia College Savings Plan	104	156	96	243
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	536	584	640	662
Alcoholic Beverage Control	555	533	507	479
Risk Management	13	12	13	8
Local Choice Health Care	308	296	267	230
Route 460 Funding Corporation of Virginia	82	67	-	-
Virginia Industries for the Blind	38	31	32	28
Consolidated Laboratory	9	8	7	7
eVA Procurement System	20	20	19	17
Department of Environmental Quality Title V	12	11	11	10
Wireless E-911	37	42	41	38
Museum and Library Gift Shops	6	7	6	7
Behavioral Health Canteen and Work Activity	1	1	1	-
Virginia Information Providers Network	-	-	-	-
<b>Total Business-type Activities Expenses</b>	<b>2,987</b>	<b>2,962</b>	<b>2,761</b>	<b>2,759</b>
<b>Total Primary Government Expenses</b>	<b>\$ 36,603</b>	<b>\$ 35,453</b>	<b>\$ 34,415</b>	<b>\$ 34,139</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
General Government	\$ 255	\$ 250	\$ 255	\$ 254
Education	518	448	397	388
Transportation	652	680	645	650
Resources and Economic Development	359	345	393	309
Individual and Family Services	376	413	429	430
Administration of Justice	401	322	323	322
Operating Grants and Contributions	8,732	8,820	9,178	9,950
Capital Grants and Contributions	1,509	1,754	1,267	1,324
<b>Total Governmental Activities Program Revenues</b>	<b>12,802</b>	<b>13,032</b>	<b>12,887</b>	<b>13,627</b>

Source: Department of Accounts

2010	2009	2008	2007	2006	2005
\$ 2,829	\$ 2,541	\$ 2,470	\$ 2,645	\$ 2,015	\$ 2,029
9,312	9,566	9,300	9,542	7,926	7,269
2,311	2,786	3,054	2,256	2,559	2,493
1,107	1,003	878	841	835	765
12,285	10,757	9,249	9,022	8,570	7,991
2,741	2,611	2,607	2,659	2,493	2,262
206	201	205	203	209	167
30,791	29,465	27,763	27,168	24,607	22,976

998	920	936	929	908	908
294	115	244	180	238	311
-	-	-	-	39	39
923	881	433	382	339	359
469	467	457	434	408	375
7	6	6	3	6	3
231	231	202	179	165	155
-	-	-	-	-	-
28	24	24	20	20	21
6	6	6	6	5	5
19	18	18	19	6	7
10	11	12	11	11	10
48	53	50	47	43	39
2	1	2	2	2	2
1	1	-	1	1	1
-	-	-	-	14	35
3,036	2,734	2,390	2,213	2,205	2,270
\$ 33,827	\$ 32,199	\$ 30,153	\$ 29,381	\$ 26,812	\$ 25,246

\$ 248	\$ 243	\$ 229	\$ 216	\$ 251	\$ 258
380	373	379	350	311	272
611	643	709	583	601	537
306	299	297	299	280	241
411	415	389	370	394	398
308	321	387	292	286	294
9,951	7,584	6,067	5,870	5,671	5,262
1,603	997	1,152	851	707	578
13,818	10,875	9,609	8,831	8,501	7,840

Continued on next page

**Changes in Net Position**  
**Accrual Basis of Accounting** (Continued from previous page)

Last Ten Fiscal Years  
(Dollars in Millions)

	2014	2013	2012	2011
<b>Business-type Activities:</b>				
<b>Charges for Services:</b>				
Virginia Lottery	1,811	1,690	1,616	1,483
Virginia College Savings Plan	408	301	160	459
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	761	790	853	686
Alcoholic Beverage Control	689	662	633	598
Risk Management	9	5	5	4
Local Choice Health Care	321	285	259	247
Virginia Industries for the Blind	36	30	32	28
Consolidated Laboratory	9	7	8	8
eVA Procurement System	16	16	16	19
Department of Environmental Quality Title V	11	11	8	7
Wireless E-911	54	62	55	53
Museum and Library Gift Shops	6	8	7	8
Behavioral Health Canteen and Work Activity	-	-	1	-
Virginia Information Providers Network	-	-	-	-
Operating Grants and Contributions	-	-	-	1
Capital Contributions	70	61	-	-
<b>Total Business-type Activities Program Revenue</b>	<b>4,201</b>	<b>3,928</b>	<b>3,653</b>	<b>3,601</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 17,003</b>	<b>\$ 16,960</b>	<b>\$ 16,540</b>	<b>\$ 17,228</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (20,814)	\$ (19,459)	\$ (18,767)	\$ (17,753)
Business-type Activities	1,214	966	892	842
<b>Total Primary Government Net Expense</b>	<b>\$ (19,600)</b>	<b>\$ (18,493)</b>	<b>\$ (17,875)</b>	<b>\$ (16,911)</b>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities:</b>				
<b>Taxes:</b>				
Individual and Fiduciary Income	\$ 11,681	\$ 11,400	\$ 10,814	\$ 10,050
Sales and Use	4,597	3,941	3,885	3,669
Corporation Income	770	805	979	852
Motor Fuel	792	879	900	903
Motor Vehicle Sales and Use	781	582	538	495
Communications Sales and Use	420	424	423	557
Premiums of Insurance Companies	460	407	391	406
Public Service Corporations	119	116	115	113
Other Taxes	896	909	849	795
Unrestricted Grants and Contributions	49	74	49	48
Investment Earnings	44	6	84	63
Miscellaneous	234	306	465	286
Transfers	724	670	668	615
Contributions to Permanent and Term Endowments	-	-	-	-
<b>Total Governmental Activities</b>	<b>21,567</b>	<b>20,519</b>	<b>20,160</b>	<b>18,852</b>
<b>Business-type Activities:</b>				
Other Taxes	9	9	9	9
Investment Earnings	2	1	1	1
Miscellaneous	1	-	-	-
Transfers	(724)	(670)	(668)	(614)
Special Items	-	-	-	-
<b>Total Business-type Activities</b>	<b>(712)</b>	<b>(660)</b>	<b>(658)</b>	<b>(604)</b>
<b>Total Primary Government</b>	<b>\$ 20,855</b>	<b>\$ 19,859</b>	<b>\$ 19,502</b>	<b>\$ 18,248</b>
<b>Change in Net Position</b>				
Governmental Activities	\$ 753	\$ 1,060	\$ 1,394	\$ 1,099
Business-type Activities	502	306	234	238
<b>Total Primary Government</b>	<b>\$ 1,255</b>	<b>\$ 1,366</b>	<b>\$ 1,628</b>	<b>\$ 1,337</b>

Source: Department of Accounts

2010	2009	2008	2007	2006	2005
1,436	1,366	1,389	1,366	1,367	1,334
371	(117)	70	328	272	379
-	-	-	-	15	10
524	341	350	438	543	539
584	573	552	525	497	465
5	6	7	7	5	6
241	226	216	207	186	158
30	24	24	21	21	22
7	9	8	7	6	5
17	27	26	29	7	4
10	9	10	10	10	10
53	51	51	50	43	39
2	2	2	2	2	2
-	-	1	1	1	1
-	-	-	-	15	35
4	105	39	36	27	19
-	-	-	-	-	-
3,284	2,622	2,745	3,027	3,017	3,028
\$ 17,102	\$ 13,497	\$ 12,354	\$ 11,858	\$ 11,518	\$ 10,868
\$ (16,973)	\$ (18,590)	\$ (18,154)	\$ (18,337)	\$ (16,106)	\$ (15,136)
248	(112)	355	814	812	758
\$ (16,725)	\$ (18,702)	\$ (17,799)	\$ (17,523)	\$ (15,294)	\$ (14,378)
\$ 8,779	\$ 9,559	\$ 10,100	\$ 9,639	\$ 9,206	\$ 8,356
3,569	3,554	3,821	3,756	3,679	3,578
846	546	772	906	838	651
891	889	924	930	938	912
440	406	534	588	593	599
456	-	-	-	-	-
414	365	356	385	374	374
112	103	106	89	91	89
777	814	1,025	1,161	1,296	1,108
49	60	54	50	48	53
205	143	349	477	221	154
427	237	224	154	115	291
597	591	593	564	581	535
-	-	-	20	-	-
17,562	17,267	18,858	18,719	17,980	16,700
10	13	12	12	12	12
2	4	12	11	12	10
-	-	1	-	1	1
(597)	(591)	(593)	(563)	(581)	(535)
-	-	-	-	164	-
(585)	(574)	(568)	(540)	(392)	(512)
\$ 16,977	\$ 16,693	\$ 18,290	\$ 18,179	\$ 17,588	\$ 16,188
\$ 589	\$ (1,323)	\$ 704	\$ 381	\$ 1,873	\$ 1,564
(337)	(686)	(213)	274	421	246
\$ 252	\$ (2,009)	\$ 491	\$ 655	\$ 2,294	\$ 1,810

**Changes in Fund Balance, Governmental Funds  
Modified Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

	2014	2013	2012	2011
<b>Revenues</b>				
Taxes	\$ 20,499	\$ 19,400	\$ 18,748	\$ 17,825
Rights and Privileges	950	957	921	917
Institutional Revenue	325	360	385	384
<b>Interest, Dividends, Rents, and</b>				
Other Investment Income	144	83	164	159
Federal Grants and Contracts	9,681	9,913	9,933	10,749
Other	1,362	1,350	1,337	1,238
<b>Total Revenues</b>	<b>32,961</b>	<b>32,063</b>	<b>31,488</b>	<b>31,272</b>
<b>Expenditures</b>				
General Government	2,538	2,424	2,322	2,439
Education	8,970	8,886	8,733	8,683
Transportation	5,057	4,613	4,474	3,860
Resources and Economic Development	912	876	870	886
Individual and Family Services	13,196	13,039	12,682	12,688
Administration of Justice	2,724	2,566	2,422	2,398
Capital Outlay	194	219	330	439
<b>Debt Service:</b>				
Principal Retirement	421	474	423	456
Interest and Charges	279	289	262	233
<b>Total Expenditures</b>	<b>34,291</b>	<b>33,386</b>	<b>32,518</b>	<b>32,082</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,330)</b>	<b>(1,323)</b>	<b>(1,030)</b>	<b>(810)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,661	1,625	1,770	1,498
Transfers Out	(927)	(940)	(1,097)	(876)
Notes Issued	16	22	10	37
Insurance Recoveries	-	1	3	8
Capital Leases Issued	-	-	1	2
Bonds Issued	273	264	1,196	883
Premium on Debt Issuance	75	85	217	71
Refunding Bonds Issued	277	201	319	51
Sale of Capital Assets	16	96	4	3
Payments to Refunded Bond Escrow Agents	(337)	(258)	(373)	(55)
<b>Total Other Financing Sources (Uses)</b>	<b>1,054</b>	<b>1,096</b>	<b>2,050</b>	<b>1,622</b>
<b>Net Change in Fund Balances</b>	<b>\$ (276)</b>	<b>\$ (227)</b>	<b>\$ 1,020</b>	<b>\$ 812</b>
Debt Service as a Percentage of Noncapital Expenditures (1)	2.21%	2.58%	2.29%	2.30%

(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

2010	2009	2008	2007	2006	2005
\$ 16,187	\$ 16,276	\$ 17,659	\$ 17,436	\$ 17,043	\$ 15,636
869	889	933	826	816	758
403	409	390	360	343	325
294	218	452	532	256	204
10,628	8,112	6,627	6,203	5,958	5,627
1,196	1,100	1,177	1,027	1,048	1,144
29,577	27,004	27,238	26,384	25,464	23,694
2,306	1,889	2,047	2,030	1,787	1,687
8,842	9,260	8,940	8,700	7,661	7,068
3,401	3,704	3,883	3,141	3,092	3,115
897	990	868	812	788	708
12,236	10,764	9,345	8,996	8,626	8,060
2,399	2,531	2,543	2,398	2,296	2,204
619	612	845	809	588	414
420	416	362	322	280	249
206	207	203	192	179	165
31,326	30,373	29,036	27,400	25,297	23,670
(1,749)	(3,369)	(1,798)	(1,016)	167	24
1,624	1,571	1,663	1,637	1,590	1,555
(1,022)	(976)	(1,070)	(1,072)	(1,014)	(1,018)
20	21	-	16	128	-
5	8	6	7	4	-
1	1	5	4	1	1
941	646	416	593	584	375
44	46	23	40	45	84
124	68	59	123	205	731
4	4	7	8	7	-
(146)	(74)	(62)	(131)	(214)	(789)
1,595	1,315	1,047	1,225	1,336	939
\$ (154)	\$ (2,054)	\$ (751)	\$ 209	\$ 1,503	\$ 963
2.04%	2.09%	2.00%	1.93%	1.86%	1.78%

**Fund Balance, Governmental Funds  
Modified Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>General Fund</b>				
Reserved (1)	\$ -	\$ -	\$ -	\$ -
Unreserved (1)	-	-	-	-
Nonspendable	111	120	118	113
Restricted	971	962	729	464
Committed	330	503	486	410
Unassigned	(782)	(947)	(821)	(1,046)
<b>Total</b>	<u>\$ 630</u>	<u>\$ 638</u>	<u>\$ 512</u>	<u>\$ (59)</u>
<b>All Other Governmental Funds</b>				
<b>Special Revenue Funds</b>				
Reserved (1)	\$ -	\$ -	\$ -	\$ -
Unreserved (1)	-	-	-	-
Nonspendable	104	118	105	111
Restricted	880	588	567	422
Committed	2,145	2,556	2,923	2,683
Assigned	17	14	12	10
<b>Debt Service Funds</b>				
Reserved (1)	-	-	-	-
Restricted	44	35	79	68
<b>Capital Projects Funds</b>				
Unreserved (1)	-	-	-	-
Restricted	53	214	202	145
<b>Permanent Funds</b>				
Unreserved (1)	-	-	-	-
Nonspendable	34	31	28	29
Restricted	1	1	1	1
<b>Total</b>	<u>\$ 3,278</u>	<u>\$ 3,557</u>	<u>\$ 3,917</u>	<u>\$ 3,469</u>

(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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 395	\$ 670	\$ 1,125	\$ 1,420	\$ 1,162	\$ 708
(1,069)	(928)	78	564	973	521
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ (674)	\$ (258)	\$ 1,203	\$ 1,984	\$ 2,135	\$ 1,229
\$ 410	\$ 204	\$ 242	\$ 280	\$ 108	\$ 159
2,502	2,325	3,072	3,060	2,882	2,278
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
105	102	101	97	94	76
-	-	-	-	-	-
206	331	134	81	(16)	(33)
-	-	-	-	-	-
47	45	52	53	30	28
-	-	-	-	-	-
-	-	-	-	-	-
\$ 3,270	\$ 3,007	\$ 3,601	\$ 3,571	\$ 3,098	\$ 2,508

**Comparison of General Fund Balance**

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Last Ten Fiscal Years  
(Dollars in Millions)

<b>Fiscal Year Ended June 30,</b>	<b>Fund Balance</b>	
	<b>Budgetary Basis</b>	<b>Modified Accrual Basis</b>
2014	\$ 1,349.3	\$ 629.6
2013	1,820.6	637.9
2012	1,683.4	512.4
2011	1,297.6	(58.8)
2010	870.9	(674.3)
2009	823.5	(258.5)
2008	2,219.8	1,202.9
2007	2,955.1	1,984.0
2006	2,890.0	2,135.5
2005	1,865.3	1,229.0

Source: Department of Accounts

# Revenue Capacity

## Personal Income Tax Rates

Last Ten Fiscal Years  
(Dollars in Millions)

<u>For the Fiscal Year Ended June 30,</u>	<u>Personal Income Tax Collections (1)</u>	<u>Personal Income (2)(3)</u>	<u>Average Effective Rate (3)(4)</u>
2014	\$ 11,253	\$ 414,294	2.72%
2013	11,340	403,497	2.81%
2012	10,613	395,359	2.68%
2011	9,944	279,475	3.56%
2010	9,088	358,580	2.53%
2009	9,481	350,037	2.71%
2008	10,115	352,291	2.87%
2007	9,788	339,465	2.88%
2006	9,309	321,452	2.90%
2005	8,352	299,512	2.79%

- (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 2005-2013 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 2004 – 2013

<u>Income Tax Bracket</u>	<u>Tax Rate</u>
\$0 - \$3,000	2.00%
\$3,000 - \$5,000	2.00% - 2.40%
\$5,000 - \$17,000	2.40% - 4.23%
\$17,000 - \$30,000	4.23% - 4.89%
\$30,000 - \$50,000	4.89% - 5.23%
\$50,000 - \$100,000	5.23% - 5.49%
Over \$100,000	5.49% up to 5.75%

- (1) Amounts shown are for all filing status returns.

Source: Department of Taxation

## Personal Income Tax Filers and Liability by Income Level (1)

Current Year and Ten Years Ago

Income Level	Tax Year Ended December 31, 2012 (2)				Tax Year Ended December 31, 2003			
	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
\$100,000 and higher	665,603	18.0%	\$ 7,015,112,650	66.6%	359,183	11.1%	\$ 3,587,420,383	52.6%
\$75,000 - \$99,999	316,396	8.6%	1,138,663,300	10.8%	247,394	7.7%	892,933,383	13.1%
\$50,000 - \$74,999	481,325	13.0%	1,129,318,064	10.7%	422,161	13.0%	1,026,539,848	15.1%
\$25,000 - \$49,999	837,176	22.6%	984,951,665	9.4%	759,556	23.5%	977,695,305	14.3%
\$10,000 - \$24,999	752,238	20.3%	254,891,474	2.4%	705,024	21.8%	310,217,188	4.6%
\$9,999 and lower	646,877	17.5%	4,176,729	0.1%	740,577	22.9%	21,656,025	0.3%
Total	<u>3,699,615</u>	<u>100.0%</u>	<u>\$ 10,527,113,882</u>	<u>100.0%</u>	<u>3,233,895</u>	<u>100.0%</u>	<u>\$ 6,816,462,132</u>	<u>100.0%</u>

- (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 2012 is the most recent year for which data are available.

Source: Department of Taxation

## Personal Income by Industry

Last Ten Fiscal Years  
(Dollars in Millions)

	<u>2014 (1)</u>	<u>2013 (2)</u>	<u>2012 (2)</u>	<u>2011 (2)</u>	<u>2010 (2)</u>
Farm Earnings	\$ 707	\$ 537	\$ 632	\$ 465	\$ 212
Agricultural/Forestry, Fishing, and Other	430	357	359	314	338
Mining	1,502	1,493	1,493	1,494	1,050
Construction	15,221	15,136	14,399	13,811	13,857
Manufacturing	17,374	16,629	16,393	16,030	15,932
Transportation, Warehousing, Information and Public Utilities	17,905	17,157	16,654	16,203	16,116
Wholesale Trade	10,310	9,962	9,809	9,788	9,143
Retail Trade	15,542	14,967	14,315	13,882	13,829
Finance, Insurance, Real Estate, Rental and Leasing	20,269	20,279	19,064	17,253	16,121
Services	126,116	122,477	118,812	14,711	109,948
Federal, Civilian	22,972	23,354	23,319	22,952	22,206
Military	12,733	12,750	13,250	13,399	13,833
State and Local Government	32,610	32,335	31,570	30,939	31,070
Other (3)	120,603	116,064	115,290	108,234	94,925
Total Personal Income	<u>\$ 414,294</u>	<u>\$ 403,497</u>	<u>\$ 395,359</u>	<u>\$ 279,475</u>	<u>\$ 358,580</u>

(1) Personal income figures for 2014 are estimated.

(2) Amounts for 2005-2013 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.

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<u>2009 (2)</u>	<u>2008 (2)</u>	<u>2007 (2)</u>	<u>2006 (2)</u>	<u>2005 (2)</u>
\$ 194	\$ 328	\$ 221	\$ 322	\$ 623
288	270	321	327	259
872	1,034	794	880	762
13,469	15,642	17,151	17,912	16,214
15,652	17,009	17,299	17,105	17,131
16,629	16,805	16,872	16,624	16,619
9,165	9,559	9,591	8,798	8,369
13,376	13,844	14,212	14,035	13,608
15,582	15,908	17,051	17,155	17,352
106,744	104,058	97,450	90,640	83,292
20,113	19,045	18,012	16,585	15,697
13,326	13,048	12,474	12,113	11,439
30,780	29,697	28,256	26,905	25,666
93,847	96,044	89,761	82,051	72,481
<u>\$ 350,037</u>	<u>\$ 352,291</u>	<u>\$ 339,465</u>	<u>\$ 321,452</u>	<u>\$ 299,512</u>

**Taxable Sales by Business Class (1) (2)**Last Ten Calendar Years  
(Dollars in Millions)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Apparel	\$ 6,668	\$ 6,545	\$ 4,749	\$ 4,601	\$ 4,494
Automotive	2,945	2,860	2,717	2,555	2,397
Food	27,924	27,150	25,691	24,617	24,134
Furniture, Home Furnishings, and Equipment	2,645	2,612	2,538	2,442	2,519
General Merchandise	21,852	21,568	20,635	19,836	19,577
Lumber, Building Materials and Supply	8,513	8,112	7,750	7,652	7,369
Fuel	1,880	1,899	1,828	1,691	1,582
Machinery, Equipment and Supplies	300	357	309	243	173
Miscellaneous	16,031	16,228	16,341	16,402	16,780
Hotels, Motels, Tourist Camps, etc.	3,098	3,107	2,988	2,837	2,804
Alcoholic Beverage	640	559	567	545	532
Other Miscellaneous and Unidentifiable	2,088	2,321	2,955	2,997	3,505
Total	<u>\$ 94,584</u>	<u>\$ 93,318</u>	<u>\$ 89,068</u>	<u>\$ 86,418</u>	<u>\$ 85,866</u>
Direct Sales Tax Rate (3)	5.3%	5.0%	5.0%	5.0%	5.0%

- (1) Retail sales information is available only on a calendar-year basis.
- (2) Data from tax year 2005 is not available. Beginning with the third quarter of tax year 2005, business classification categories provided by the Department of Taxation changed to reflect NAICS codes. Consequently, the first half of tax year 2005 information is not available in a comparable form to the second half of tax year 2005. Files from before the third quarter of tax year 2005 will never be directly comparable with files from the third quarter of tax year 2005 and thereafter.
- (3) Effective July 1, 2013, the sales tax rate increased from 5.0 percent to 5.3 percent.

Source: Department of Taxation

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2004</u>	<u>2003</u>
\$ 5,015	\$ 5,191	\$ 4,917	\$ 4,087	\$ 3,719
2,440	2,563	2,413	5,146	4,810
23,721	22,502	19,943	21,931	20,887
3,013	3,448	3,684	6,015	5,666
19,387	19,574	17,104	13,312	12,686
8,140	9,354	8,929	9,006	7,431
1,539	1,729	1,778	488	487
241	238	213	3,581	3,151
18,527	18,301	18,355	14,914	13,297
3,066	3,079	3,003	2,354	2,307
517	487	456	409	483
4,495	5,577	8,683	48	49
<u>\$ 90,101</u>	<u>\$ 92,043</u>	<u>\$ 89,478</u>	<u>\$ 81,291</u>	<u>\$ 74,973</u>
5.0%	5.0%	5.0%	4.5%	4.5%

## Sales Tax Revenue by Business Class (1)

Tax Year 2013 and Nine Years Ago

	Tax Year Ended December 31, 2013				Tax Year Ended December 31, 2004			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Alcoholic Beverage	349	0.3%	\$ 640,480,189	0.7%	297	0.2%	\$ 408,612,950	0.5%
Apparel	7,693	7.3%	6,667,649,807	7.0%	6,099	4.2%	4,087,521,249	5.0%
Automotive	3,130	3.0%	2,944,915,714	3.1%	11,898	8.3%	5,145,672,486	6.3%
Food	21,958	20.9%	27,923,706,237	29.5%	27,106	18.9%	21,930,876,550	27.0%
Fuel	2,521	2.4%	1,879,990,640	2.0%	825	0.6%	488,123,421	0.6%
Furniture, Home Furnishings, and Equipment	3,769	3.6%	2,645,419,359	2.8%	8,727	6.1%	6,014,658,518	7.4%
General Merchandise	16,738	16.0%	21,852,270,498	23.1%	9,976	6.9%	13,311,798,761	16.4%
Hotels, Motels, Tourist Camps, etc.	2,274	2.2%	3,097,653,107	3.3%	2,095	1.5%	2,353,824,453	2.9%
Lumber, Building Materials, and Supply	5,597	5.3%	8,513,182,877	9.0%	4,734	3.3%	9,006,350,759	11.1%
Machinery, Equipment, and Supply	160	0.2%	300,424,290	0.3%	9,061	6.3%	3,581,337,858	4.4%
Miscellaneous	34,044	32.4%	16,031,181,872	17.0%	62,465	43.5%	14,913,904,303	18.3%
Other Miscellaneous and Unidentifiable	6,688	6.4%	2,087,598,511	2.2%	260	0.2%	48,436,164	0.1%
<b>Total</b>	<b>104,921</b>	<b>100.0%</b>	<b>\$ 94,584,473,101</b>	<b>100.0%</b>	<b>143,543</b>	<b>100.0%</b>	<b>\$ 81,291,117,472</b>	<b>100.0%</b>

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

Sources: Department of Taxation  
Weldon Cooper Center for Public Service, University of Virginia

# Debt Capacity

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities		Total Primary Government	Debt as a Percentage of Personal Income (2)	Amount Per Capita (3)
	General Obligation Bonds	Non- General Obligation Bonds	Other Long-term Obligations (1)	Non-General Obligation Bonds	Other Long-term Obligations (1)			
2014	\$ 742,869	\$ 5,555,935	\$ 233,002	\$ 317,305	\$ 6,072	\$ 6,855,183	1.65%	\$ 823
2013	791,992	5,593,228	285,594	314,662	6,453	6,991,929	1.73%	849
2012	873,741	5,703,448	326,543	-	449	6,904,181	1.75%	844
2011	960,374	4,701,764	348,972	-	918	6,012,028	2.15%	749
2010	1,049,386	4,120,056	366,170	-	1,594	5,537,206	1.54%	702
2009	1,077,520	3,549,958	373,594	-	2,883	5,003,955	1.43%	638
2008	1,001,989	3,345,259	312,890	-	4,082	4,664,220	1.32%	601
2007	900,329	3,363,275	341,574	-	2,610	4,607,788	1.36%	599
2006	716,498	3,231,917	342,805	-	5,967	4,297,187	1.34%	564
2005	657,032	2,930,344	231,131	463,357	9,709	4,291,573	1.43%	571

- (1) Pension, compensated absences, other postemployment benefits, uninsured employers' fund, lottery prizes payable, tuition benefits payable, and pollution remediation obligations have been excluded.
- (2) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.
- (3) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2014 population was estimated.

Sources: Department of Accounts  
Department of Taxation  
U. S. Bureau of Economic Analysis

## Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	General Bonded Debt Outstanding [1] [2]				Percentage of Tax Revenues [5]	Amount Per Capita [6]
	Governmental		Higher Education	Total		
	9(b) [3]	9(c) [4]	9(c)			
2014	\$ 706,192	\$ 36,677	\$ 925,086	\$ 1,667,955	14.82%	\$ 200
2013	752,493	39,499	877,858	1,669,850	14.73%	203
2012	831,148	42,593	906,474	1,780,215	16.77%	218
2011	914,574	45,800	765,280	1,725,654	17.35%	215
2010	999,841	49,545	631,275	1,680,661	18.49%	213
2009	1,040,636	36,884	573,550	1,651,070	17.41%	211
2008	935,105	66,884	487,296	1,489,285	14.72%	192
2007	821,563	78,766	411,842	1,312,171	13.41%	171
2006	626,124	90,374	325,969	1,042,467	11.20%	137
2005	555,447	101,585	296,963	953,995	11.42%	127

[1] Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. Amounts are net of unamortized premiums, discounts, deferrals on debt defeasance, and/or issuance expenses.

[2] There are currently no Section 9(a) bonds outstanding.

[3] Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations.

[4] Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

[5] Individual and fiduciary Income tax collections were used for this calculation.

[6] Population statistics used in this calculation are provided by the Department of Taxation. Fiscal year 2014 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	2014	2013	2012	2011
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	\$ 11,253,348	\$ 11,339,965	\$ 10,612,836	\$ 9,944,370
Corporate Income Tax [2]	757,491	796,728	859,923	822,259
State Sales and Use Tax [3]	3,399,223	3,419,489	3,314,677	3,190,452
Total	\$ 15,410,062	\$ 15,556,182	\$ 14,787,436	\$ 13,957,081
<b>Average Tax Revenues (Three Fiscal Years)</b>	<b>\$ 15,251,227</b>	<b>\$ 14,766,900</b>	<b>\$ 13,967,817</b>	<b>\$ 13,453,996</b>

### Section 9(a) [2] General Obligation Debt Limit [4]

Debt Issuance Limit				
(30% of 1.15 times annual tax revenues)	\$ 5,316,471	\$ 5,366,883	\$ 5,101,665	\$ 4,815,193
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2]				
General Obligation Bonds	\$ 5,316,471	\$ 5,366,883	\$ 5,101,665	\$ 4,815,193
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)	\$ 17,538,911	\$ 16,981,935	\$ 16,062,990	\$ 15,472,096
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	706,192	752,493	831,148	914,574
Transportation Facilities Refunding Bonds [5] [6]	-	-	-	-
Debt Issuance Margin for Section 9(b)				
General Obligation Bonds	\$ 16,832,719	\$ 16,229,442	\$ 15,231,842	\$ 14,557,522
Debt Applicable to Limit as a % Limit	4.03%	4.43%	5.17%	5.91%

### Additional Section 9(b) Debt Borrowing Restriction:

Four-year Authorization Restriction (25% of 9(b) Debt Limit)	\$ 4,384,728	\$ 4,245,484	\$ 4,015,747	\$ 3,868,024
Less 9(b) Debt authorized in past three fiscal years	-	-	-	-
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)	\$ 4,384,728	\$ 4,245,484	\$ 4,015,747	\$ 3,868,024

### Section 9(c) General Obligation Debt Limit

Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 17,538,911	\$ 16,981,935	\$ 16,062,990	\$ 15,472,096
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	17,045	17,538	18,383	19,445
Transportation Facilities Bonds [6]	19,632	21,961	24,210	26,355
Higher Educational Institution Bonds [6]	925,086	877,866	906,474	765,280
Debt Issuance Margin for Section 9(c)				
General Obligation Bonds	\$ 16,577,148	\$ 16,064,570	\$ 15,113,923	\$ 14,661,016
Debt Applicable to Limit as a % Limit	5.48%	5.40%	5.91%	5.24%

\*\*Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

- [1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*. Fiscal year 2004 restated to reflect actual data as reported in the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Revenue Funds of each respective year's CAFR.
- [2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia*.
- [3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia*, less taxes identified in Sections 58.1-605 and 58.1-638.
- [4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.
- [5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
- [6] 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

2010	2009	2008	2007	2006	2005
\$ 9,088,252	\$ 9,481,109	\$ 10,114,833	\$ 9,787,592	\$ 9,308,570	\$ 8,352,366
806,473	648,033	807,852	879,575	871,554	616,690
3,264,210	3,116,831	3,302,181	3,274,286	3,029,949	3,093,725
<u>\$ 13,158,935</u>	<u>\$ 13,245,973</u>	<u>\$ 14,224,866</u>	<u>\$ 13,941,453</u>	<u>\$ 13,210,073</u>	<u>\$ 12,062,781</u>
\$ 13,543,258	\$ 13,804,097	\$ 13,792,131	\$ 13,071,436	\$ 11,906,836	\$ 10,655,153
\$ 4,539,833	\$ 4,569,861	\$ 4,907,579	\$ 4,809,801	\$ 4,557,475	\$ 4,161,659
-	-	-	-	-	-
<u>\$ 4,539,833</u>	<u>\$ 4,569,861</u>	<u>\$ 4,907,579</u>	<u>\$ 4,809,801</u>	<u>\$ 4,557,475</u>	<u>\$ 4,161,659</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 15,574,747	\$ 15,874,712	\$ 15,860,950	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426
993,372	1,027,941	916,483	797,300	596,464	520,655
6,469	12,696	18,622	24,263	29,660	34,792
<u>\$ 14,574,906</u>	<u>\$ 14,834,075</u>	<u>\$ 14,925,845</u>	<u>\$ 14,210,588</u>	<u>\$ 13,066,738</u>	<u>\$ 11,697,979</u>
6.42%	6.56%	5.90%	5.47%	4.57%	4.53%
\$ 3,893,687	\$ 3,968,678	\$ 3,965,238	\$ 3,758,038	\$ 3,423,215	\$ 3,063,356
-	-	-	-	-	1,019,529
<u>\$ 3,893,687</u>	<u>\$ 3,968,678</u>	<u>\$ 3,965,238</u>	<u>\$ 3,758,038</u>	<u>\$ 3,423,215</u>	<u>\$ 2,043,827</u>
\$ 15,574,747	\$ 15,874,712	\$ 15,860,950	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426
21,151	6,527	7,590	8,804	9,939	11,040
28,394	30,358	59,294	69,962	80,435	90,545
631,275	573,550	487,296	411,842	325,969	296,963
<u>\$ 14,893,927</u>	<u>\$ 15,264,277</u>	<u>\$ 15,306,770</u>	<u>\$ 14,541,543</u>	<u>\$ 13,276,519</u>	<u>\$ 11,854,878</u>
4.37%	3.85%	3.49%	3.26%	3.04%	3.25%

**Schedule of Pledged Revenue Bond Coverage  
Primary Government 9(d) General Long-term Debt**

Last Ten Fiscal Years

(Dollars in Thousands except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance, as restated (1)	Pledged Revenues (2)	Operating Expenses (3)	Net Available for Debt Service	Debt Service Requirements (4) (5) (6)		Coverage
						Principal	Interest	
<b>Primary Government Revenue Bonds:</b>								
<b>Route 460 Funding Corporation of Virginia (5)</b>	2014	\$ (8,958)	\$ -	\$ 448	\$ (9,406)	\$ -	\$ 12,084	(0.78)
(Series 2012A and 2012B CAB)	2013	-	-	130	(130)	-	-	-
<b>Pocahontas Parkway Association (6)</b>								
(Series 1998A-D and 2001A)	2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
	2013	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
	2006	(140,294)	11,680	30,214	(158,828)	-	-	-
	2005	(115,062)	10,344	29,675	(134,393)	-	9,121	(14.73)

- (1) The Route 460 Funding Corporation of Virginia was restated due to the implementation of GASB Statement No. 65 as discussed in Note 2.
- (2) Bonds payable solely from toll revenues.
- (3) Operating expenses are exclusive of principal and interest.
- (4) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.
- (5) This entity was established in fiscal year 2013. No debt service payments were required during fiscal year 2013.
- (6) This entity was established in 1999. The toll rights owned by the Pocahontas Parkway Association were sold on June 29, 2006; the association was relieved of any outstanding debt at that time and has no bonds outstanding at June 30, 2014, to report.

Source: Department of Accounts

## Demographic and Economic Information

## Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population In Thousands (1)</u>	<u>Personal Income In Thousands (2)(3)</u>	<u>Per Capita Income (3)</u>	<u>Public Primary and Secondary School Enrollment</u>	<u>Unemployment Rate</u>
2014	8,332	\$ 414,293,551	\$ 49,723	1,273,211	5.2 %
2013	8,235	403,497,332	48,998	1,264,880	5.6 %
2012	8,178	395,359,184	48,344	1,258,521	6.0 %
2011	8,029	379,474,544	47,263	1,253,038	6.5 %
2010	7,886	358,579,884	45,470	1,245,937	7.0 %
2009	7,839	350,036,552	44,653	1,236,546	5.6 %
2008	7,758	352,290,656	45,410	1,232,436	3.4 %
2007	7,694	339,464,616	44,121	1,221,939	3.1 %
2006	7,623	321,452,236	42,169	1,214,737	3.2 %
2005	7,512	299,512,292	39,871	1,185,612	3.5 %

(1) Population figure for fiscal year 2014 is estimated.

(2) Personal income amount for fiscal year 2014 is estimated.

(3) Amounts for fiscal years 2005-2013 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources: Department of Education  
Department of Taxation  
Virginia Employment Commission  
U.S. Bureau of Economic Analysis

## Principal Employers (1)

Current Year and Nine Years Ago

<u>Employer</u>	<u>2013 Rank (2)</u>	<u>2004 Rank</u>
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
Huntington Ingalls Industries, Inc.	4	4
Sentara Healthcare	5	8
Food Lion	6	5
U. S. Postal Service	7	6
County of Fairfax	8	7
HCA Virginia Health System (3)	9	-
U. S. Department of Homeland Defense (3)	10	-

(1) The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.

(2) Calendar year 2013 is the most recent information available.

(3) Previous ranking not available.

Source: Virginia Employment Commission (1)

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## Operating Information

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**State Employees by Function (1)**

Last Ten Fiscal Years

	2014	2013	2012	2011	2010
<b>General Government</b>					
Virginia Information Technologies Agency	263	270	262	261	295
Department of Taxation	877	873	917	976	1,044
Department of General Services	614	621	624	634	654
All other	1,663	1,677	1,571	1,936	1,608
<b>Education</b>					
Colleges and Universities	56,086	55,223	53,979	49,107	47,981
All other	2,663	2,662	2,667	3,287	3,276
<b>Transportation</b>					
Department of Transportation	7,365	7,212	7,167	7,024	6,852
Department of Motor Vehicles	2,040	1,999	1,926	1,949	1,900
All other	198	193	190	242	233
<b>Resources and Economic Development</b>					
Department of Conservation & Recreation	747	1,165	933	909	930
Department of Environmental Quality	822	779	731	743	768
All other	2,950	2,898	2,957	3,001	2,874
<b>Individual and Family Services</b>					
Department of Health	3,593	3,646	3,784	3,827	3,856
Behavioral Health Agencies	7,629	8,314	8,803	8,757	8,635
All other	5,545	5,804	5,740	5,576	5,622
<b>Administration of Justice</b>					
Department of State Police	2,792	2,779	2,640	2,627	2,533
Department of Juvenile Justice	2,339	2,405	2,499	2,380	2,442
Correctional Facilities	9,922	9,738	9,656	9,656	9,623
All other	6,579	6,606	6,363	6,262	6,314
<b>Business-type Activities</b>					
Department of Alcoholic Beverage Control	2,272	2,182	3,306	2,483	2,461
Virginia Lottery	279	275	270	267	257
All other	94	84	81	82	77
State Total (2)	<u>117,332</u>	<u>117,405</u>	<u>117,066</u>	<u>111,986</u>	<u>110,235</u>

(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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
353	377	400	453	1,068
947	1,014	927	1,031	1,026
618	624	634	621	603
1,918	1,960	1,915	1,778	1,775
48,485	48,032	48,004	47,371	44,725
3,551	3,806	3,811	3,813	3,555
8,261	8,680	8,824	9,338	9,401
1,931	2,001	2,044	2,102	2,056
215	239	231	110	129
953	960	753	709	937
800	842	882	870	862
3,334	3,369	3,412	3,263	3,161
3,750	3,800	3,943	3,817	3,646
8,355	8,341	8,361	7,679	6,609
5,957	5,550	5,540	6,424	7,868
2,671	2,668	2,700	2,604	2,607
2,314	2,457	2,295	2,312	2,222
10,437	10,802	10,456	10,368	10,398
6,285	6,441	6,454	5,382	5,036
2,581	2,472	1,938	1,851	1,726
252	241	265	261	271
74	50	48	257	257
<u>114,042</u>	<u>114,726</u>	<u>113,837</u>	<u>112,414</u>	<u>109,938</u>

**Operating Indicators by Function**

Last Nine Fiscal Years

	2014	2013	2012
<b>General Government</b>			
<b>Virginia Department of Taxation</b>			
Number of Returns Processed (calendar year) (1)	Not yet available	7,520,463	7,446,060
<b>Department of Accounts</b>			
Number of Payments Processed Via Check	1,466,309	1,530,548	1,624,902
Number of Payments Processed Electronically	9,729,332	9,552,890	9,856,757
Percentage Processed Electronically	86.9%	86.2%	85.8%
<b>Education</b>			
<b>State Council of Higher Education</b>			
Number of Students Enrolled at State-supported Colleges and Universities	537,370	539,025	535,294
<b>Department of Education</b>			
Number of Public Primary and Secondary School Enrollment	1,273,211	1,264,880	1,258,521
<b>Transportation</b>			
<b>Department of Transportation</b>			
Number of Vehicles Paying Tolls for the Pocahontas Parkway (2)	N/A	N/A	N/A
<b>Resources and Economic Development</b>			
<b>Department of Environmental Quality</b>			
Number of Permits Issued	5,890	1,750	4,063
Number of Inspections Conducted	8,307	9,044	9,834
<b>Department of Housing and Community Development</b>			
Number of Housing Units Improved to Define Standards through Housing Program	3,677	7,396	7,279
<b>Department of Agriculture and Consumer Services</b>			
Number of Food Inspections Conducted	8,886	10,441	12,966
Number of Weights/Measure Equipment Inspected	76,342	62,488	68,292
<b>Department of Forestry</b>			
Number of Firefighters Trained in Forest Fire Control	1,233	1,197	1,178
<b>Individual and Family Services</b>			
<b>Comprehensive Services for At-Risk Youth and Families</b>			
Number of Youth Served	15,025	13,516	15,425
<b>Department for Aging and Rehabilitative Services</b>			
Number of Medicare Recipients	1,203,462	1,244,136	1,190,827
<b>Department of Medical Assistance Services</b>			
Number of Medicaid Recipients	1,177,922	1,046,790	996,835
<b>Department of Behavioral Health and Developmental Services (3)</b>			
Number of Patients Served	2,269	2,455	2,608
Number of Beds Used	2,822	3,071	3,471
<b>Department of Social Services</b>			
Average Number of Households Receiving Food Stamps	451,640	453,244	434,223
Number of Households Receiving Child Support Enforcement Assistance	320,942	347,729	349,661
<b>Department of Health</b>			
Number of WIC Participants	244,181	267,465	270,962
Number of Childhood Immunizations Administered	1,675,572	1,736,396	1,439,233

2011	2010	2009	2008	2007	2006
6,969,581	6,998,747	7,079,611	6,893,047	6,746,596	7,860,850
1,658,227	1,625,763	1,715,164	2,597,746	1,431,918	1,522,865
9,912,627	11,141,067	10,059,109	8,065,038	2,861,979	2,684,123
85.7%	87.2%	85.4%	75.6%	66.7%	63.8%
519,772	501,866	467,093	449,671	428,642	412,336
1,253,038	1,245,937	1,236,546	1,232,436	1,221,939	1,214,737
N/A	N/A	N/A	N/A	N/A	5,746,292
2,486	2,780	1,925	2,389	3,491	2,011
10,441	11,804	11,599	11,721	11,730	10,471
7,675	7,231	5,198	3,248	3,392	3,459
12,003	13,516	14,639	17,551	14,623	16,350
66,760	53,329	57,275	84,481	77,921	101,471
1,192	1,123	1,034	1,200	1,300	1,000
16,617	17,242	17,957	19,658	18,498	16,722
1,143,243	1,122,522	1,104,765	1,071,681	1,039,059	1,010,487
992,816	937,522	857,662	818,452	805,458	812,796
2,724	2,754	2,877	2,915	3,003	3,033
3,317	3,396	3,533	2,891	2,988	3,499
396,613	350,599	277,498	240,821	228,116	223,116
352,825	359,317	359,487	359,977	363,272	361,909
270,219	275,580	270,378	258,593	270,918	247,386
1,773,402	1,602,907	1,470,403	1,455,166	1,076,412	1,093,450

Continued on next page

**Operating Indicators by Function** (Continued from previous page)

Last Nine Fiscal Years

	2014	2013	2012
<b>Administration of Justice</b>			
<b>Supreme Court</b>			
Number of Criminal Trials (calendar year)	699,270	720,630	708,943
Number of Civil Trials (calendar year)	1,232,899	1,264,219	1,299,053
Number of Traffic Hearings (calendar year)	1,887,252	1,891,207	1,956,836
<b>Compensation Board</b>			
Number of Constitutional Officers Receiving Financial Support	649	651	650
<b>Department of State Police</b>			
Number of Traffic Citations Issued (calendar year)	686,812	588,307	550,122
Number of Arrests (calendar year)	21,777	19,611	19,460
<b>Department of Corrections</b>			
Number of Inmates	30,275	29,803	29,685
<b>Business-type Activities</b>			
<b>Virginia Lottery</b>			
Number of Plays Sold - Pick 3	265,144,318	253,682,839	243,270,273
Number of Plays Sold - Pick 4	244,143,030	232,184,205	222,774,015
Number of Plays Sold - Cash 5	30,114,799	28,302,849	26,677,286
Number of Plays Sold - Megamillions	115,298,827	89,518,093	140,240,940
Number of Plays Sold - Win for Life (4)	14,870,716	15,950,166	17,682,922
Number of Plays Sold - Lotto South (4)	-	-	-
Number of Plays Sold - Millionaire Raffle (5)	6,600,000	6,945,500	6,625,456
Number of Plays Sold - Fast Play Bingo (5)	20,095,274	16,581,338	12,094,785
Number of Plays Sold - Powerball (6)	113,724,880	145,690,841	89,046,990
Number of Plays Sold - Decades of Dollars (7)	12,236,092	13,243,504	15,467,376
Number of Tickets Sold - Instant Tickets	988,592,675	887,139,810	842,121,604
<b>Virginia College Savings Plan</b>			
Number of Prepaid Tuition Contractholders	70,490	68,637	69,847
<b>Virginia Employment Commission</b>			
Number of Individuals Receiving Unemployment Benefits	115,155	127,091	136,753
New Unemployment Benefit Claims	253,310	284,218	318,935

- (1) Information is not yet available for fiscal year 2014.
- (2) The assets of the Pocahontas Parkway Association (previously reported as a blended component unit of the Virginia Department of Transportation, part of primary government), including the rights and obligations to manage, operate, maintain and collect tolls, were sold in June 2006. Therefore, this information is not available subsequent to fiscal year 2006.
- (3) 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.
- (4) Win for Life replaced Lotto South during fiscal year 2006.
- (5) Fast Play Bingo and Millionaire Raffle began during fiscal year 2007; therefore, information for fiscal year 2006 and prior is not available.
- (6) Powerball began during fiscal year 2010; therefore, information for fiscal year 2009 and prior is not available.
- (7) Decades of Dollars began during fiscal year 2011; therefore, information for fiscal year 2010 and prior is not available.

2011	2010	2009	2008	2007	2006
697,360	705,777	731,609	741,701	733,714	710,380
1,289,633	1,372,483	1,397,850	1,366,596	1,335,192	1,327,296
2,069,668	2,143,109	2,050,896	2,019,753	1,973,047	1,971,413
650	650	654	649	650	650
567,480	686,173	647,396	652,837	646,166	600,121
20,132	22,713	23,996	22,475	23,348	22,622
32,116	31,735	32,708	33,157	31,647	31,072
241,963,816	246,899,030	250,634,329	256,605,411	265,398,821	257,008,607
207,174,550	197,460,420	185,418,033	183,990,214	179,922,714	169,761,961
26,657,009	28,242,740	29,267,637	29,022,974	27,520,707	27,723,536
138,496,457	174,882,294	162,095,735	166,144,927	130,299,581	159,665,341
21,052,138	28,440,948	32,128,730	37,717,958	41,323,625	17,529,322
-	-	-	-	-	44,322,641
6,600,000	6,600,000	8,905,555	8,798,720	13,005,307	-
8,915,566	6,884,748	6,772,764	9,229,805	6,600,000	-
66,614,340	34,562,352	-	-	-	-
8,377,354	-	-	-	-	-
756,837,222	711,155,383	690,382,366	694,902,491	698,271,837	689,315,033
70,955	71,373	71,898	71,812	71,382	70,006
162,025	190,370	219,646	122,144	106,554	110,881
360,657	418,431	474,777	279,939	260,804	260,381

Sources: Compensation Board  
 Comprehensive Services for At-Risk Youth and Families  
 Department of Agriculture and Consumer Services  
 Department of Behavioral Health and Developmental Services  
 Department of Education  
 Department of Environmental Quality  
 Department of Forestry  
 Department of Health  
 Department of Housing and Community Development  
 Department of Medical Assistance Services  
 Department of Social Services  
 Department of State Police  
 Department of Transportation  
 State Council of Higher Education  
 Virginia Lottery  
 Supreme Court  
 Virginia College Savings Plan  
 Virginia Employment Commission

**Capital Asset Statistics by Function (1)**

Last Nine Fiscal Years

	2014	2013	2012
<b>General Government</b>			
<b>Department of General Services</b>			
Number of Buildings	63	62	62
Total Square Footage of Buildings	5,026,991	4,961,416	4,961,416
Vehicles	14,769	14,424	14,161
<b>Education</b>			
<b>State Council of Higher Education</b>			
Campuses of In-State Institutions	276	252	262
Campuses of Out-of-State Institutions	146	142	158
<b>Transportation</b>			
<b>Department of Transportation</b>			
Bridges Maintained	13,049	13,047	13,042
State Maintained Highway Lane Miles (calendar year) (1)	Not yet available	71,937	71,779
Vehicles	7,768	7,762	7,797
Number of Buildings (2)	3,488	3,501	3,487
Total Square Footage of Buildings	8,158,974	8,119,018	7,830,447
<b>Resources and Economic Development</b>			
<b>Department Conservation &amp; Recreation</b>			
State Parks	37	37	37
Acres of State Parks (in thousands)	68	67	69
Natural Area Preserves	39	39	39
Acres of Natural Area Preserves (in thousands)	34	35	31
Historic Sites	3	3	3
Acres of Historic Sites (in thousands)	0.3	0.3	0.3
Number of Buildings (3)	1,345	1,345	1,164
Total Square Footage of Buildings	2,560,662	2,560,662	1,152,257
<b>Department of Forestry</b>			
State Forests	23	23	22
Buildings	295	295	295
Total Square Footage of Buildings	600,602	600,602	600,602
<b>Individual and Family Services</b>			
<b>Department of Behavioral Health and Developmental Services</b>			
Number of Buildings	409	408	407
Total Square Footage of Buildings	5,534,625	5,523,762	5,169,937
<b>Administration of Justice</b>			
<b>Department of State Police</b>			
Number of Stations	65	65	65
Number of Buildings	147	148	144
Total Square Footage of Buildings	685,109	681,987	562,736
<b>Department of Corrections</b>			
Number of Buildings	1,843	1,881	1,858
Total Square Footage of Buildings	11,799,780	11,889,055	11,872,765
<b>Business-type Activities</b>			
<b>Department of Alcoholic Beverage Control</b>			
Number of Buildings	24	24	25
Total Square Footage of Buildings	1,180,501	1,180,501	1,185,501

(1) Information not yet available for 2014.

(2) Includes storage sheds.

(3) Includes cabins.

2011	2010	2009	2008	2007	2006
54	55	48	48	47	45
5,259,506	5,053,912	4,718,480	4,409,026	4,358,746	4,236,832
13,983	13,534	13,322	13,262	12,779	11,841
250	244	254	258	207	116
166	121	87	67	63	110
12,949	12,949	12,912	12,603	12,603	12,603
71,668	71,561	71,349	71,091	70,784	70,105
7,593	7,734	8,185	9,060	9,443	9,952
3,520	3,513	3,526	3,562	3,595	3,582
7,916,019	7,713,617	7,683,384	7,734,267	7,750,199	7,624,896
37	37	37	37	37	34
69	71	69	68	67	66
39	39	39	38	35	34
30	30	29	28	25	25
3	3	3	3	3	3
0.3	0.3	0.3	0.3	0.3	0.3
1,164	1,164	1,168	991	991	989
1,152,257	1,152,257	1,154,487	1,223,427	1,223,427	1,284,589
22	19	19	19	17	17
295	295	295	295	295	283
600,602	600,602	600,602	600,602	600,602	587,838
429	438	435	441	449	446
5,901,505	5,744,389	5,743,088	6,037,953	6,161,843	6,263,527
65	64	66	66	66	66
145	145	145	145	143	143
562,736	562,736	550,736	550,736	526,617	526,617
1,820	1,835	1,826	1,817	1,809	1,812
11,771,319	11,920,234	12,160,909	11,963,087	11,787,810	11,102,021
25	25	24	22	21	22
1,185,501	1,185,501	1,142,273	787,348	784,548	789,548

Sources: Department of Conservation and Recreation  
Department of Forestry  
Department of Motor Vehicles  
Department of State Police

Department of Transportation  
Department of the Treasury  
State Council of Higher Education for Virginia

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Marianne P. Madison, Financial Reporting Analyst  
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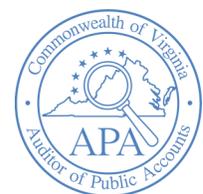
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# COMMONWEALTH OF VIRGINIA SINGLE AUDIT REPORT

FOR THE YEAR ENDED  
JUNE 30, 2014

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
[www.apa.virginia.gov](http://www.apa.virginia.gov)  
(804) 225-3350



## EXECUTIVE SUMMARY

The results of our financial statement audit of the Commonwealth of Virginia for the year ended June 30, 2014, are summarized as follows:

- we issued an unmodified opinion on the basic financial statements;
- we found certain matters that we consider to be material weaknesses in internal control over financial reporting;
- we found other matters that we consider significant deficiencies in internal control over financial reporting; and
- we identified instances of noncompliance or other matters required to be reported under Government Auditing Standards related to the basic financial statements.

The results of our single audit of the Commonwealth of Virginia for the year ended June 30, 2014, are summarized as follows:

- we issued an unmodified opinion on the Commonwealth's compliance with requirements applicable to each major program, except for CFDA #10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children, which was qualified;
- we found certain matters and instances of noncompliance with selected provisions, which are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133;
- we found certain matters that we consider to be material weaknesses in internal control over compliance;
- we found certain matters that we consider to be significant deficiencies in internal control over compliance; and
- the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit findings are reported in the accompanying, "Schedule of Findings and Questioned Costs."

## - TABLE OF CONTENTS -

Page

EXECUTIVE SUMMARY

INTRODUCTION LETTER

1

INDEPENDENT AUDITOR'S REPORTS:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

2-4

Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control over Compliance; and  
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

5-9

SCHEDULE OF FINDINGS AND QUESTIONED COSTS:

Summary of Auditor's Results

10-11

Financial Statement Findings

12-129

Federal Award Findings and Questioned Costs:

130-172

U.S. Department of Agriculture

130-139

U.S. Department of Education

140-161

U.S. Department of Health and Human Services

162-165

U.S. Department of Labor

165-166

U.S. Department of Transportation

167-170

U.S. Department of the Treasury

170-172

RESOLUTION OF PRIOR YEAR AUDIT FINDINGS

173-176

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Schedule of Expenditures of Federal Awards

177-229

Notes to the Schedule of Expenditures of Federal Awards

230-240

APPENDIX:

Acronyms

241-243

State Agency Contact List for Federal Audit Findings

244-245



# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

February 4, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
and Review Commission

We are pleased to submit the statewide **Single Audit Report of the Commonwealth of Virginia** for the fiscal year ended June 30, 2014.

This report contains the following:

- our reports on compliance and on internal control over financial reporting and each major federal program;
- the Schedule of Findings and Questioned Costs, together with management's corrective action plans;
- the summary schedule of prior audit findings; and
- the Schedule of Expenditures of Federal Awards.

The Commonwealth's **Comprehensive Annual Financial Report** for the year ended June 30, 2014, and our report thereon have been issued under separate cover.

We would like to express our appreciation to the many individuals whose efforts assisted in preparing this report and recognize the Commonwealth's management and federal program and financial staff for their cooperation and assistance in resolving single audit issues.

*Martha S. Mavredes*

AUDITOR OF PUBLIC ACCOUNTS

GDS/clj



# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements, and have issued our report thereon dated December 15, 2014. Our report includes a reference to other auditors who audited the financial statements of certain component units of the Commonwealth, as described in our report on the Commonwealth's financial statements and Note 1.B. to the financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commonwealth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs", we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A **MATERIAL WEAKNESS** is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying "Schedule of Findings and Questioned Costs," to be **material weaknesses**:

Findings Numbered: 2014-

001	036	037
051	052	053
054	073	074

A **SIGNIFICANT DEFICIENCY** is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying "Schedule of Findings and Questioned Costs," to be **significant deficiencies**:

Findings Numbered: 2014-

002	003	004	005	006	007	008	009
010	011	012	013	014	015	016	017
018	019	020	021	022	023	024	025
026	027	028	029	030	031	032	033
034	035	038	039	040	041	042	043
044	045	046	047	048	049	050	055
056	057	058	059	060	061	062	063
064	065	066	067	068	069	070	071
072	075	076	077	078	080		

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commonwealth's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of **NONCOMPLIANCE** or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying "Schedule of Findings and Questioned Costs" as items:

Findings Numbered: 2014-

001	002	003	004	005	006	007	008
009	010	011	012	013	014	015	016
017	018	019	020	021	022	023	024
025	026	027	028	029	030	031	032
033	034	035	036	037	038	039	040
041	042	043	044	045	046	047	048
049	050	051	052	053	054	055	056
057	059	060	061	062	063	064	065
066	067	068	069	070	071	072	074
075	077	078	079				

We noted certain additional matters involving internal control over financial reporting and immaterial instances of noncompliance that we have reported to the management of the individual state agencies and institutions.

Commonwealth’s Response to Findings

The Commonwealth’s responses to the findings identified in our audit are described in the accompanying “Schedule of Findings and Questioned Costs.” The Commonwealth’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

The Commonwealth’s status of corrective actions taken with respect to previously reported findings are located in the section entitled “Resolution of Prior Year Audit Findings.”

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martha S. Mavredes*  
MARTHA S. MAVREDES  
AUDITOR OF PUBLIC ACCOUNTS  
RICHMOND, VIRGINIA  
DECEMBER 15, 2014



# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

### Report on Compliance for Each Major Federal Program

We have audited the Commonwealth of Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2014. The Commonwealth's major federal programs are identified in the "Summary of Auditor's Results" section of the accompanying "Schedule of Findings and Questioned Costs."

The Commonwealth's basic financial statements include the operations of certain agencies and component units, which received federal awards that are not included in the Commonwealth's Schedule of Expenditures of Federal Awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of these agencies and component units since they were audited by other auditors as discussed in Note 1 of the "Notes to the Schedule of Expenditures of Federal Awards."

### Management's Responsibility

The Commonwealth's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commonwealth's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commonwealth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commonwealth's compliance.

Basis for Qualified Opinion on Special Supplemental Nutrition Program for Women, Infants and Children

As described in the accompanying "Schedule of Findings and Questioned Costs", the Commonwealth did not comply with requirements of CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants and Children regarding the following:

<u>Finding Numbers</u>	<u>Compliance Requirement</u>
2014-036	Other
2014-051	Special Tests and Provisions
2014-052	Allowable Costs/ Cost Principles
2014-053	Subrecipient Monitoring
2014-054	Allowable Costs/ Cost Principles
2014-081	Reporting

Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to that program.

Qualified Opinion on Special Supplemental Nutrition Program for Women, Infants and Children

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants and Children for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the "Summary of Auditor's Results" section of the accompanying "Schedule of Findings and Questioned Costs" for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of **NONCOMPLIANCE**, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying "Schedule of Findings and Questioned Costs" as items:

Finding Numbers: 2014-

001	002	003	004	022	023	024
026	027	037	039	040	041	042
046	055	056	057	070	071	082
083	084	085	086	087	088	089
090	091	092	093	094	095	096
097	098	099	100	101	102	103
104						

Our opinion on each major federal program is not modified with respect to these matters.

The Commonwealth's responses to the noncompliance findings identified in our audit are described in the accompanying "Schedule of Findings and Questioned Costs." The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Commonwealth is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commonwealth's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A **MATERIAL WEAKNESS** in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of

compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance identified with the following numbers in the section titled “Schedule of Findings and Questioned Costs,” to be **material weaknesses**:

Finding Numbers: 2014-

001	036	037	051
052	053	054	081

A **SIGNIFICANT DEFICIENCY** in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance identified with the following numbers in the section titled “Schedule of Findings and Questioned Costs,” to be **significant deficiencies**:

Finding Numbers: 2014-

002	003	004	022	023	024
026	027	039	040	041	042
046	055	056	057	058	070
071	082	083	084	085	086
087	088	089	090	091	092
093	094	095	096	097	098
099	100	101	102	103	105

The Commonwealth’s responses to the internal control over compliance findings identified in our audit are described in the accompanying “Schedule of Findings and Questioned Costs.” The Commonwealth’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the 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 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commonwealth’s basic financial statements. We issued our report thereon dated December 15, 2014, which contained

unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Martha S. Mavredes*

AUDITOR OF PUBLIC ACCOUNTS

February 4, 2015 (except as related to the Report  
on Schedule of Expenditures of Federal Awards,  
for which the date is December 15, 2014)

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2014

### Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

### Federal Awards

Internal Control over major federal programs:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes

Type of auditor's report issued on compliance for major programs:  
 Unmodified for all major federal programs except for 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
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Dollar threshold used to distinguish between programs:	
Type A programs	\$ 30,000,000
Type B programs	\$ 3,982,074

Commonwealth qualified as low-risk auditee?	No
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The major programs listed on the next page are in order by their CFDA. With the exception of the Research and Development Cluster, the first CFDA in a cluster is used to determine the cluster's placement within the list.

The Commonwealth's major programs are as follows:

<b>CFDA(s)</b>	<b>Name of Federal Program or Cluster</b>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
17.258	WIA Cluster
17.259	
17.278	
20.205	Highway Planning and Construction Cluster
20.219	
23.003	
21.000	Asset Forfeiture Funds - Federal Treasury
84.007	Student Financial Assistance Programs Cluster
84.033	
84.037	
84.038	
84.063	
84.268	
84.379	
84.408	
93.264	
93.342	
93.364	
93.408	
93.925	
93.563	
93.658	Foster Care Title IV-E
93.667	Social Services Block Grant
93.575	CCDF (Child Care) Cluster
93.596	
93.775	Medicaid Cluster
93.777	
93.778	
93.791	Money Follows the Person Rebalancing Demonstration
97.042	Emergency Management Performance Grants
97.073	State Homeland Security Program (SHSP)
Footnote 2A	Research and Development Cluster

## FINANCIAL STATEMENT FINDINGS SYSTEMS SECURITY

### **2014-001: Allocate Adequate Resources to Reduce IT Security Risk**

*Applicable To: Virginia Employment Commission*

**Federal Program Name and CFDA#:** Unemployment Insurance - 17.225

**Federal Award Number and Year:** UI252351460A51 (2014)

**Compliance Requirement:** Other - OMB A-133 .300(B)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

The Commission does not allocate the necessary resources to reduce information technology (IT) security risk as required by the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard). The Security Standard requires that agencies implement several minimum security controls to safeguard sensitive and mission critical data that is stored in their IT environment.

During our audit, we identified weaknesses in the Commission's information security posture that indicate a lack of dedicated resources. We discuss these weaknesses in detail in the recommendations entitled "Improve Organizational Placement of the Information Security Officer," "Maintain Oversight Over the Information Security Program," and "Upgrade Unsupported and Vulnerable Operating Systems."

The Commission has been involved in several system development projects, which have required a substantial amount of resources over the last several years. The Commission has allocated a significant number of IT resources to these projects, which has affected the resources available for maintaining certain aspects of the IT environment, including their information security program. Additionally, due to internally initiated IT infrastructure upgrades, the Commission allocated IT resources to implementing a non-standard high-end technology instead of using less costly and standard Ethernet desktop connectivity.

Without the allocation and appropriate organizational placement of the necessary resources to ensure the Commission adheres to the Security Standard, the Commission will not be able to maintain adequate controls to protect confidential and mission critical data. Inadequate information security controls may lead to significant deficiencies in critical areas that could affect the financial statements or potentially impact the operations of the agency.

We recommend that Commission leadership evaluate its IT resource levels to ensure sufficient resources, both in terms of people and funding, are available to implement and maintain information security controls on current and future systems. We also recommend the Commission evaluate their current IT positions to ensure specific resources have the necessary time available to carry out their assigned responsibilities. Additionally, we recommend that the Commission dedicate

the necessary resources to address the specific control deficiencies identified above and in other recommendations issued during the audit.

*Management Plan for Corrective Action for Virginia Employment Commission*

*In December 2014, we hired a wage employee to assist the ISO. Management will continue to assess the allocation of resources for maintaining the information security program.*

*Responsible Party: Sam Lupica, Chief Operating Officer*

*Estimated Completion Date: March 31, 2015*

**2014-002: Improve Organizational Placement of Information Security Officer**

*Applicable To: Virginia Employment Commission*

**Federal Program Name and CFDA#:** Unemployment Insurance - 17.225

**Federal Award Number and Year:** UI252351460A51 (2014)

**Compliance Requirement:** Other - OMB A-133 .300(B)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

The Commission does not position the Information Security Officer (ISO) in an organizationally independent unit from the Chief Information Officer (Information Officer). Section 2.4.1 of the Security Standard recommends the ISO report directly to the agency head, where practical, and should not report to the Information Officer. Currently, the ISO is reporting directly to the Information Officer. Having the ISO report to the Information Officer may limit the effective assessment and necessary recommendations of security controls in the organization due to possible competing priorities that sometimes face the Information Officer.

The Commission has not placed the ISO in an organizationally independent unit from the Information Officer because management indicates that it does not have the funding to establish an information security office. Additionally, the Commission does not find it suitable to assign the ISO outside the IT division given that the ISO spends the majority of his time on IT related duties. Currently, the Commission estimates the ISO dedicates only 20 percent of his time to information security program duties because of the system development project resource allocation issues already discussed.

We recommend the Commission evaluate the organizational placement and time requirements of the ISO and consider placing the position outside of the Information Technology division. This would eliminate any potential conflicts of interest in the implementation of their information security program and controls, and will more closely align their organizational structure

with best practices. While it may not be feasible to have the ISO reporting directly to the agency head, the Commission should consider placing the ISO in a different organizational unit reporting to another executive-level position.

Management Plan for Corrective Action for Virginia Employment Commission

*Management will evaluate options for the organizational placement of the ISO and will continue to identify alternatives to enhance the ISO's effectiveness.*

*Responsible Party: Ellen Marie Hess, Commissioner and Sam Lupica, Chief Operating Officer*

*Estimated Completion Date: March 31, 2015*

**2014-003: Maintain Oversight Over the Information Security Program**

*Applicable To: Virginia Employment Commission*

**Federal Program Name and CFDA#:** Unemployment Insurance - 17.225

**Federal Award Number and Year:** UI252351460A51 (2014)

**Compliance Requirement:** Other - OMB A-133 .300(B)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

The ISO is not maintaining sufficient oversight over the information security program to ensure that it meets or exceeds the requirements of the Commonwealth's Security Standard. During our audit, we identified the following weaknesses related to the information security program:

- The ISO did not confirm that the Commission enforced separation of duties within the Virginia Automated Benefits System (VABS) and Virginia Automated Tax System (VATS). The Commission granted 11 employees access to update claimant wage records in VABS and employer tax records within VATS. This level of access gives an individual the ability to bypass internal controls established by the Commission. The ISO did not detect these conflicts because he did not work with system owners to develop a procedure to detect and address separation of duty conflicts. Section 8.1 AC-5 of the Security Standard, requires the organization to separate duties of individuals as necessary to prevent unauthorized activity.
- The ISO did not confirm that the business managers for VABS and VATS, which support the Unemployment Insurance program, are reviewing user accounts and privileges annually. Business managers use the Access Control Verification System to confirm user access electronically; however, the ISO has not implemented a procedure to ensure that business managers have reviewed all user accounts and privileges annually. Section 8.1

AC-2 of the Security Standard requires the Commission to review accounts and privileges at least annually.

- The ISO did not maintain sufficient oversight to confirm that its third-party providers (Providers) are complying with the Security Standard. The Security Standard considers Providers to be organizations that perform outsourced business tasks or functions on behalf of the Commonwealth. The Commission has outsourced several of its mission critical business functions related to the Unemployment Insurance program. The ISO did not maintain appropriate oversight because the Commission failed to identify this requirement and implement appropriate procedures to maintain compliance. Section 1.1 of the Security Standard requires that agencies enforce the requirements outlined in the Security Standard through documented agreements with Providers and oversight of the services performed.
- The ISO did not confirm that the Commission has periodically audited all information systems that contain sensitive information nor confirmed timely updates and reviews of risk assessments over these sensitive systems. The Commission has not completed these tasks due to a lack of resources. Section 2.5 of the Security Standard requires the ISO to develop and manage the agency's information security program. This includes the ISO confirming that audits are performed that evaluate the effectiveness of the program.
- The ISO did not exercise sufficient oversight to confirm that the Commission is maintaining physical security over information technology assets. We identified two internal control weaknesses that we communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. Section 8.11 of the Security Standard requires the Commission to design safeguards, commensurate with risk, to protect against human, natural, and environmental threats.

Section 2.5 of the Security Standard requires the ISO to develop and manage an information security program that meets or exceeds the requirements of the Commonwealth's security policies and standards in a manner commensurate with risk. The ISO has not maintained adequate oversight because his time is not fully dedicated towards managing the Commission's information security program as discussed earlier in this section. Without allocating adequate time and resources, the ISO cannot ensure the Commission's information security program is sufficient to protect its IT systems.

These weaknesses are the result of management's resource allocation decisions, which resulted in not allocating sufficient resources to create and maintain the minimum information security controls outlined in the Security Standard. We recommend that Commission leadership evaluate its IT resource levels to ensure sufficient resources are available to implement and maintain information security controls on current and future systems. Additionally, we recommend the Commission evaluate their IT positions to ensure specific resources have the necessary time available to carry out their assigned responsibilities.

Management Plan for Corrective Action for Virginia Employment Commission

*In order to ensure the VEC's information security program will meet or exceed the requirements of the Commonwealth's IT security policies and standards, as indicated in the above corrective action plans, management will continue to assess the allocation of resources for maintaining the information security program and will evaluate options for the organizational placement of the ISO. Additionally, to address the specific findings:*

- *Separation of duties: IT, ISO, and business system owners will work together to ensure all staff have appropriate access and that policies related to system access are enforced.*
- *User account reviews: Management completed 100% of account access reviews in 2014. IT/ISO will ensure a process is in place to complete these reviews annually.*
- *Third-party oversight: VEC will establish a process to ensure third-party providers are in compliance with the Information Security Standard, as contractually required.*
- *System audits and risk assessments: IT/ISO will continue to work with system owners in performing risk assessments and audits of sensitive systems.*
- *Physical security over IT assets: IT/ISO will review and mitigate internal control weaknesses identified.*

*Responsible Party: Sam Lupica, Chief Operating Officer and Linda Belflower, IT Director*

*Estimated Completion Date: July 31, 2015*

**2014-004: Upgrade Unsupported and Vulnerable Operating Systems**

*Applicable To: Virginia Employment Commission*

**Federal Program Name and CFDA#:** Unemployment Insurance - 17.225

**Federal Award Number and Year:** UI252351460A51 (2014)

**Compliance Requirement:** Other - OMB A-133 .300(B)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

The Commission does not use vendor-supported operating systems as required by the Security Standard. We identified a weakness in internal control and compliance that we communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

Section SI-2 COV of the Security Standard prohibits the use of software products that the software publisher has designated as end-of-life. Retired and unsupported operating systems no longer receive updates and patches to remedy recently discovered vulnerabilities. Hackers use discovered vulnerabilities to create computer viruses that exploit known weaknesses in the operating system to gain unauthorized access. The Commission significantly elevates its risk of exploitation of unpatched vulnerabilities by a malicious attacker by running on an outdated operating system.

We recommend the Commission work with the IT Partnership to develop an expedited timeframe to transform and refresh all devices that are not using vendor-supported operating systems. Transforming to a vendor-supported operating system will help ensure the Commission is compliant with the Security Standard while mitigating the risk of exploitation of unpatched vulnerabilities.

*Management Plan for Corrective Action for Virginia Employment Commission*

*The VEC will make every effort to continue to work with VITA and NG to upgrade our operating system.*

*Responsible Party: Linda Belflower, IT Director*

*Estimated Completion Date: July 31, 2015*

**2014-005: Develop Database and Application Baseline Security Configurations**

*Applicable To: Department of Motor Vehicles*

**Type of Finding:** Internal Control and Compliance

Motor Vehicles does not have sufficient security controls to adequately protect two of their mission critical and sensitive systems. Our review noted several areas of weakness for each system, which are due to a lack of documented and implemented application and database baseline security configurations.

We have communicated this information in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls. We recommend that Motor Vehicles implement the controls discussed in our recommendation in accordance with the Commonwealth's Information Security Standard, SEC 501-08.

Management Plan for Corrective Action for Department of Motor Vehicles

DMV recognizes its obligation to develop and implement baseline security configurations for all mission critical and sensitive systems. DMV will ensure this is done. DMV will develop and implement baseline security configurations for the specified sensitive systems. DMV will also develop and implement baseline security configurations for all mission critical and sensitive systems.

Responsible Party: Douglas Mack, DMV IT Security Director (ISO) & Dave Burhop,  
DMV Deputy Commissioner (CIO)

Estimated Completion Date: September 30, 2015

**2014-006: Improve Physical and Environmental Security Controls**

*Applicable To: Department of Motor Vehicles*

**Type of Finding:** Internal Control and Compliance

Motor Vehicles does not have adequate physical and environmental security controls in place to protect certain information technology (IT) systems that house sensitive data. These weaknesses are due to Motor Vehicles not identifying or dedicating the necessary resources to ensure implementation of adequate physical and environmental controls to protect and maintain sensitive systems and data.

Our review noted several areas of weakness that we have communicated in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls. We recommend that Motor Vehicles implement the controls discussed in our recommendation in accordance with the Commonwealth's Information Security Standard, SEC 501-08.

Management Plan for Corrective Action for Department of Motor Vehicles

DMV recognizes its obligation to have adequate physical and environmental security controls in place to protect IT systems that house sensitive data. DMV will ensure this is done. DMV will ensure that adequate physical and environmental security policies and procedures are in place. DMV will also ensure that adequate physical and environmental security controls are in place.

Responsible Party: Douglas Mack, DMV IT Security Director (ISO) & Dave Burhop,  
DMV Deputy Commissioner (CIO)

Estimated Completion Date: September 30, 2015

## **2014-007: Improve IT Risk and Continuity Management Program**

*Applicable To: Department of Motor Vehicles*

### **Type of Finding: Internal Control and Compliance**

Motor Vehicles does not properly manage certain aspects of their IT Risk and Continuity Management Program in accordance with the Commonwealth's Information Security Standard, SEC 501-08. The success of an IT Risk and Continuity Management Program is dependent on the quality and accuracy of key program documents, including IT system Risk Assessments, Business Impact Analysis, agency and IT Continuity of Operations Plans, and IT Disaster Recovery Plans.

The Security Standard identifies required program documents and elements that should be defined within them. It further lays out specific review and update schedules for these documents, as well as testing expectations for continuity and disaster recovery plans. These documents are essential for protecting agency IT systems by identifying risks, vulnerabilities, and remediation techniques; as well as establishing prioritization for restoring systems in contingency and disaster scenarios.

While Motor Vehicles had a third party create their risk management and contingency documents, Motor Vehicles did not have adequate resources in place to ensure that the documentation was consistent and adequately meets the agency's needs. We noted components within Motor Vehicles' IT Risk and Continuity Management Program required by the Security Standard as incomplete or inconsistent, including system sensitivity ratings, and mission essential and primary business function definitions and related recovery items. Finally, Motor Vehicles only tested a portion of their IT environment during their annual disaster recovery testing.

Because of the weaknesses noted above, Motor Vehicles may not be able to effectively and proactively protect sensitive data against risks, vulnerabilities, and threats. This may prevent Motor Vehicles from adequately performing critical business processes in the event of a natural disaster, service disruption, or other occurrence.

Motor Vehicles should review and revise the documents supporting their Risk Management and Continuity Management Program to ensure they are consistent and in accordance with the Security Standard. Motor Vehicles should also ensure all components of their IT Disaster Recovery Plan are periodically tested to ensure it can restore all critical systems in the event of a disaster, while also identifying opportunities to improve the disaster recovery process where needed.

Management Plan for Corrective Action for Department of Motor Vehicles

*DMV recognizes its obligation to ensure the proper management of its IT Risk and Continuity Management Program in accordance with the Commonwealth Security Standard, SEC 501-08. DMV will ensure this is done. DMV will ensure consistent risk and continuity policies and procedures for sensitive systems are in place. DMV will also implement consistent risk and continuity policies and procedures for sensitive systems.*

*Responsible Party: Douglas Mack, DMV IT Security Director (ISO) & Dave Burhop, DMV Deputy Commissioner (CIO)*

*Estimated Completion Date: September 30, 2015*

**2014-008: Improve IT Security Audit Program Management**

*Applicable To: Department of Motor Vehicles*

**Type of Finding:** Internal Control and Compliance

Motor Vehicles does not manage their IT Security Audit Program in accordance with the Commonwealth's Information Security Audit Standard, SEC502-02 (IT Audit Standard). Specifically Motor Vehicles does not accurately identify all of their sensitive systems within the scope of their IT Security Audit Plan. For those systems that were included, Motor Vehicles did not complete scheduled IT audits for 2013 and 2014. Finally, Motor Vehicles did not submit their three-year IT Security Audit Plan, annually, as required.

The identification and inclusion of sensitive systems in Motor Vehicles IT Security Audit Plan is dependent on the successful maintenance of an agency's IT Risk and Continuity Management Program. As reflected in our finding entitled "Improve IT Risk and Continuity Management Program," Motor Vehicles has inconsistencies in the sensitivity ratings of their systems between key documents supporting their IT Risk and Continuity Management Program. As a result, their most current IT Security Audit Plan included four systems, which did not require audit, and excluded 21 systems identified as sensitive in the BIA, which should be audited.

Turnover within their IT auditor role impacted Motor Vehicles' ability to complete the IT audits scheduled during 2013 and 2014. Additionally, their most recent IT auditor resigned in June 2014 and Motor Vehicles has yet to refill the position, so they are currently unable to address these or any other planned audits. This severely impacts Motor Vehicles ability to comply with the IT Audit Standard, requiring sensitive systems to be audited at least once every three years.

Without sufficient resources in place to manage the IT Security Audit Plan, including its creation, annual update and execution, Motor Vehicles increases the risk that existing weaknesses in sensitive systems will go undetected and unmitigated. Undetected weaknesses can increase the risk of a system and data compromise by malicious parties, or system unavailability.

Motor Vehicles should allocate the necessary resources to ensure their IT Audit Program remains in compliance with the IT Audit Standard. Specifically, Motor Vehicles should develop an IT Audit Plan that encompasses all sensitive systems in their environment, complete IT Audits on a timely basis in accordance with their IT Audit Plan, and ensure their IT Audit Plan is reviewed, updated, and properly submitted to the Virginia Information Technologies Agency annually, as required by the IT Audit Standard. This will enhance the quality of their overall IT Security Program and help to ensure potential system risks are detected and mitigated.

*Management Plan for Corrective Action for Department of Motor Vehicles*

*We recognize the inconsistency in the number of sensitive systems shown in the Agency's previous IT Audit Program from 2012. The IT Audit Plan did not accurately reflect the number of sensitive systems as was shown in the Business Impact Analysis. The Business Impact Analysis was re-evaluated in the third quarter of 2014, (see MP#9). During this re-evaluation, 17 systems were re-classified as non-sensitive. The IT Audit Plan now reflects an accurate depiction of the Agency's sensitive systems.*

*We are aware that audits were not performed on a timely basis. The departure of DMV's Senior IT Auditor in June, 2014, left the agency with insufficient resources to meet the requirements of the Audit Program, in spite of the agency's best efforts. We have recently hired a new Senior IT Auditor whose first priority is revising the audit plan to match applications currently on file with VITA. A plan has been drafted, submitted and approved by the Agency and is presently being reviewed by the Commonwealth. A more detailed project schedule consistent with the submitted plan is in draft at this time.*

*An annual three year IT Security Audit Plan was not submitted for 2014. As noted in the previous paragraph, the Agency has now developed a three year plan for 2015 – 2017. The plan has been approved by the Agency head and submitted for review by the Commonwealth.*

*Corrective Actions:*

- 1. Hire a new Senior IT Auditor – Complete*
- 2. Reconcile the applications on CETR to those of the audit plan – Complete*
- 3. Revise the audit plan and submit to VITA – Complete*
- 4. Monitor needs and determine if additional auditors are needed to staff the audit plan - Ongoing*
- 5. Complete audits on the audit plan - Ongoing*

*Responsible Party: Page Brothers, Sr. Internal Auditor & Jim Womack, Director of Internal Audit*

*Estimated Completion Date: We have completed steps 1-3. Completing all audits required by the audit plan will take until June 30, 2017.*

## **2014-009: Improve Payline Web Application and SQL Server Database Security**

*Applicable To: Department of Accounts*

### **Type of Finding: Internal Control and Compliance**

The Department of Accounts (Accounts) does not secure the Payline web application and supporting database with the minimum security controls required by the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard). Payline is a web-based system that reports the earnings statements for all state employees and contains personally identifiable information. We identified six control weaknesses which we communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

We recommend that Accounts dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Security Standard and ensure that they implement these controls in a timely manner.

### **Management Plan for Corrective Action for Department of Accounts**

*The Department of Accounts (DOA) recognizes the need to "Improve Payline Web Application and SQL Server Database Security" controls to reduce the unnecessary risk to data confidentiality, integrity and availability of sensitive data. DOA has taken the steps necessary to address the five control weaknesses communicated to DOA management in the document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia. Additionally, DOA has dedicated the necessary information security, technical and financial resources to implement the security controls discussed in the communication marked FOIA-Exempt in accordance with the Commonwealth's IT Security Audit Standard, SEC 501-08.1.*

*Responsible Party: Richard Salkeld, Director and AITR of Information Technology*

*Estimated Completion Date: to "Improve Payline Web Application and SQL Server Database Security" discussed herein is the Second Quarter of 2015. DOA management will continue to implement the recommended security controls according to the Commonwealth Standards and industry best practices.*

## **2014-010: Improve IT Security Audit Plan**

*Applicable To: Department of Accounts*

### **Type of Finding: Internal Control and Compliance**

Accounts does not have an updated IT Security Audit Plan. Additionally, Accounts' IT Security Audit Plan is not consistent with its BIA and system RA documentation. Further, Accounts has not performed IT security audits over all systems classified as sensitive once every three years, nor submitted an IT Security Audit Plan to the Commonwealth's Chief Information Security Officer (CISO) on an annual basis.

The Commonwealth's IT Security Audit Standard, SEC 502-02, Sections 1.4 and 2.1 (IT Audit Standard), requires that agencies develop and maintain an IT security audit plan for the IT systems for which it is the Data Owner. The IT Audit Standard requires agencies to base their IT security audit plans on the BIA and the systems data classifications and submit the updated plans to the Commonwealth's CISO on an annual basis. Lastly, the IT Audit Standard requires IT systems that contain sensitive data to be assessed at least once every three years in accordance with requirements of the Commonwealth's Security Standard.

Accounts is increasing the risk that system vulnerabilities and threats remain undetected and are not reasonably secured in accordance with the Security Standard by not having periodic IT Security Audits performed on sensitive systems. Further, Accounts is not maintaining an up-to-date or complete sensitive systems inventory nor updating BIA and risk management documentation to ensure consistency with the currently developed IT Security Audit Plan. Lastly, Accounts did not file an IT Security Audit Plan with the Commonwealth's CISO on an annual basis due to lack of resources.

We recommend that Accounts dedicate the necessary resources to create an up-to-date sensitive systems inventory and use that inventory to create an IT Security Audit Plan based on the requirements in the Security and IT Audit Standards. Accounts should update their BIA and risk management documentation, which will assist in maintaining a current and effective IT Security Audit Plan. Furthermore, Accounts should submit the necessary documentation to the Commonwealth's CISO on an annual basis as required by the IT Audit Standard.

### **Management Plan for Corrective Action for Department of Accounts**

*Accounts recognizes the importance of having the agency's framework documentation kept up to date and as current as possible. Accounts has made significant gains in documenting the sensitive business processes and associating applications within the Business Impact Analysis and Risk Assessments. Although not complete, Accounts will dedicate the necessary resources to complete the agency's Business Impact Analysis and Risk Assessment plans accordingly. Given that Accounts does not have an Internal Auditing Department, Accounts will document the agency's sensitive systems in the three year audit plan and implement the necessary procedures to conduct security*

*audits of the Agency's documented sensitive systems along with incorporating the audit findings into a corrective action plan.*

*Responsible Party: Richard Salkeld, Director and AITR of Information Technology.*

*Estimated Completion Date: Third quarter end 2015*

**2014-011: Improve Risk Management and Continuity Planning Documentation**

*Applicable To: Department of Accounts*

**Type of Finding:** Internal Control and Compliance

Accounts does not have up-to-date risk management and continuity planning documentation, which includes the Business Impact Analysis (BIA), Risk Assessments for sensitive systems (RA), Continuity of Operations Plan (COOP), and Disaster Recovery Plan (DRP). Accounts has not updated their BIA or RAs since 2010 and has not updated the COOP and DRP since April of 2011 to reflect their current environment.

The Commonwealth's Security Standard, Section 3, requires agencies to conduct periodic reviews and revisions of the agency BIA, as needed, but at least once every three years. The Security Standard requires agencies to update their RAs of all IT systems classified as sensitive as needed, but not less than once every three years. Agencies must also conduct an annual self-assessment to determine the continued validity of the RA. Furthermore, the Security Standard requires the COOP and DRP to be based on the results of the BIA and RA, and requires agencies to conduct at least an annual exercise of the DRP to assess its adequacy and effectiveness. Lastly, the Security Standard requires the organization to update the contingency plan to reflect any material changes to the organization, information systems, operating environment, and problems encountered during contingency plan implementation, execution, or testing.

Accounts did not perform the necessary reviews and revisions to the Risk Management and Continuity Planning documentation due to a lack of resources. Therefore, Accounts is increasing the risk of not being able to restore essential business functions and supporting resources in the event a disaster occurs and during the performance of necessary restoration efforts.

We recommend that Accounts dedicate the necessary resources to revise, approve, and test the Risk Management and Continuity Planning documentation, following the requirements of the Commonwealth's Information Security Standard, SEC 501-08.

**Management Plan for Corrective Action for Department of Accounts**

*Accounts recognizes and understands the requirements to ensure that the agency's framework documentation is current and compliant. Accounts has made significant*

*gains in documenting the sensitive business processes and associating applications within the Business Impact Analysis and Risk Assessments. Although not complete, Accounts will dedicate the necessary resources to complete the agency's Business Impact Analysis and Risk Assessment plans accordingly and incorporate the findings into the COOP/DRP plans, and will be an ongoing process with the introduction of new business application processes.*

*Responsible Party: Richard Salkeld, Director and AITR of Information Technology*

*Estimated Completion Date: Third quarter end 2015*

**2014-012: Continue to Improve IT Governance**

*Applicable To: Department of Alcoholic Beverage Control*

**Type of Finding:** Internal Control and Compliance

The Department of Alcoholic Beverage Control (ABC) has improved its information technology (IT) project prioritization and continues to improve its IT governance structure. While ABC has made significant efforts to implement corrective actions in response to recommendations noted during the previous audit period, various weaknesses continue to exist. We identified and communicated these weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

The Commonwealth's Information Security Standard, SEC 501-08, requires agencies to use specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

ABC should dedicate the necessary resources to implement the controls discussed in the communication marked FOIAE that continue to align ABC's operations with industry best practices and the Commonwealth's Information Security Standard, SEC 501-08.

**Management Plan for Corrective Action for Department of Alcoholic Beverage Control**

***Continue to Improve IT Governance:***

*ABC believes we have made significant progress towards an IT Governance structure as noted in the fiscal year 2013 Report. The Agency, however, continues to struggle with the ability to fund all the critical projects and still meet the long term financial obligations found in the General Assembly's Appropriations Act.*

*The agency's information technology (IT) governance structure is now based on industry best practices gathered through research, and policies/templates supplied by*

*the Virginia Community College System (VCCS). ABC took the VCCS model and adapted it to meet our business needs by strengthening areas such as linkages to strategic priorities, project importance and risk management. ABC has a Technology Resource Steering Committee (TRSC) policy and accompanying materials such as process flow chart, an Excel matrix used to rank the initial round of projects, and project submission forms. Additionally, ABC has recently created a Portfolio Steering Committee that will use similar criteria to evaluate all agency projects with significant impacts.*

*Technology Resource Steering Committee:*

*The Steering Committee was chaired by the Chief Financial Officer, who has since retired; in his absence it is chaired by the Deputy Chief Operating Officer. Members currently include the Chief Information Officer, the Chief Operating Officer and representatives from two operating divisions. The Internal Audit Director serves in a non-voting capacity. Both Information Technology Project Management and Information Security have received considerable attention since last year's audit and procedures have been adopted to ensure continuous improvement.*

*The procedures adopted by the agency were developed to ensure that a repeatable process was in place to allocate limited technology resources (time, money and people). Information Security projects follow the same as any other project. Members of the committee use the scoring matrix as part of the evaluation process but are also concerned with ensuring the portfolio keeps a balance between foundational and transformational projects. Considerable resources have been allocated to Information Security to ensure adequate attention is placed on areas such as risk assessments and disaster recovery planning.*

*While the Agency contends that standards are certainly necessary, the majority of our projects are foundational (meaning the business cannot operate without them). These include areas such as Point of Sale, the Financial System, and Licensing. In areas where return on investment (ROI) is appropriate, analysis is conducted (e.g. developing the capacity for on-line special orders.) One of the areas in significant need of improvement was increasing the agency's business analysis capability. During the last 12 months, the agency has strengthened business analysis and project management capabilities and has plans to add additional capabilities in the near future.*

*Project Evaluation:*

*The agency evaluates impacts on areas such as service to stakeholders, work process efficiency, financial costs and benefits, linkages to mandates or strategic priorities, and schedule flexibility. In the areas of risk, the agency reviews the level of certainty around scheduling, budget, complexity of the solution and the capability of the business to effectively define requirements and manage the project. As of June, some projects had been deferred because the risk threshold exceeded our comfort zone.*

*The technical environment for solutions is a part of the scoring matrix and is also found in scoring criteria for the procurement of customized off the shelf (COTS) products. The custom software developed at the Agency follows a standard software architecture that was developed as a common platform for each new development project.*

*Business Owner Involvement:*

*The business units are ultimately accountable for monitoring the progress on projects and the results of the implementation. The transition from an IT centric to a business centric approach is on track to be successful (as evidenced by the reports presented by the business owners at progress meetings). Business owners must describe how projects link to agency strategies and goals as part of the submission process. Every two months, the project owners present to the TRSC on schedule, scope, costs and risks.*

*Additionally, the Agency recognizes the need for system owners to implement security controls in the project development process. Better communication and security presence has been injected into the project process where possible and in a just-in-time manner with job aids being produced to re-educate IT and the business community.*

*Finally, forthcoming efforts by the security team are eminent (including re-education of business owner roles and responsibilities), that will result in captured and monitored metrics to ensure that compliance requirements are known and measured.*

*Use of Agency Resources:*

*The Agency has also invested resources into a Board requested project to evaluate the current staffing needs and approve the new positions where applicable including an additional business systems analyst and a pending position for an IT Compliance Analyst to support the Governance, and risk Compliance initiatives.*

*Responsible Party: Travis Hill, Chief Operating Officer*

*Estimated Completion Date: June 30, 2015*

**2014-013: Improve Database Security**

*Applicable To: Department of Alcoholic Beverage Control*

**Type of Finding:** Internal Control and Compliance

ABC does not use some required controls to protect the databases that support some critical systems in the IT environment. These databases contain sensitive information, such as personally identifiable information and operational data. We identified and communicated the weak controls

to management in three separate documents marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to specific descriptions of security mechanisms.

The Commonwealth's Information Security Standard, SEC 501-08, requires agencies to use specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

ABC should dedicate the necessary resources to implement the controls discussed in the communication marked FOIAE and create a standard installation and configuration guide for its sensitive databases that, at a minimum, meets the requirements in the Commonwealth's Information Security Standard.

*Management Plan for Corrective Action for Department of Alcoholic Beverage Control*

*ABC currently has several applications that are running on an outdated database platform version. ABC has reviewed the applications that utilize the database and assessed that the applications, in their present state, will not support a database platform upgrade without a significant and unacceptable impact to the business. Given that the database platform is no longer supported, and changes to the database may introduce unpredictable results, editing settings and/or configurations may result in unacceptable downtime or lack of recovery for the application and database.*

*ABC Executive Management made a decision to accept the risks of the current applications until a new ERP solution can be implemented. ABC purchased Breach Insurance in March 2014, which further mitigates the impact of a security incident. ABC is in the process of filing an exception with the Virginia IT Infrastructure Partnership (VITA) and should have documented approval of the exception to the Security Standard once the filing has been approved.*

*For one of the applications residing on the database, ABC has enlisted a third party vendor (Oracle Consulting) to perform a gap analysis and produce a mitigation strategy for the new system. For another application, ABC has defined requirements and is in the process of vendor selection, with negotiations currently underway with one vendor. Due to the cost and complexity of this system, it is expected to take approximately 2 years before the final solution is implemented.*

*With regards to certain settings and permissions on the database and application accounts, ABC has made changes where changes were possible to be made without extensive testing or risk to the business. In other instances, while the agency concurs the settings are not compliant, a thorough analysis and testing period will need to occur to determine any risk of editing these settings. The Agency commits to this research and will change any settings where the risk is minimal. Settings changes that would negatively impact the business will be discussed with the System Owner. Risk will either be mitigated or accepted. And finally, ABC has a valid business need for*

*certain roles not to be in compliance with SEC 501. ABC has accepted the risk and will implement the strongest controls the business need will allow. These exceptions are included with the VITA Exception filing currently in process.*

*Responsible Party: Stephen Fox, Chief Information Officer*

*Estimated Completion Date: June 30, 2015*

**2014-014: Improve Information Security Officer Designation**

*Applicable To: Department of Alcoholic Beverage Control*

**Type of Finding: Internal Control and Compliance**

ABC does not position the Information Security Officer (ISO) role in an organizationally independent unit from the Chief Information Officer (CIO). The Commonwealth's Information Security Standard, SEC 501-08, Section 2.4.1, recommends that the ISO report directly to the agency head, where practical, and should not report to the CIO.

Having the ISO role reporting to the CIO may limit effective assessment and necessary recommendations of security controls in the organization due to possible competing priorities that sometimes face the CIO. In establishing its Information Security Officer within the organization, ABC did not fully consider the need for full independence of the Information Security Officer and the Information Security Office.

We recommend that ABC evaluate the organizational placement of the ISO to eliminate any conflicts of interest in the implementation of its information security program and controls. While it may not be feasible to have the ISO report directly to the agency head, ABC should consider placing the ISO role in a different organizational unit reporting to another executive-level position.

**Management Plan for Corrective Action for Department of Alcoholic Beverage Control**

*ABC will evaluate the organizational placement of the Information Security Officer (ISO) in order to remove the perception of any conflicts of interest in the implementation of our information security program and controls. ABC has a newly appointed Chief Operating Officer (COO) as of Monday, October 6, 2014. Once the new COO has had a chance to become acclimated, ABC will begin an evaluation of the best placement for the ISO within the organization, whether as a direct report to the COO or placement elsewhere within the organization. Although ABC will require the input of the new COO for final determination, we expect the process to take 90 days or less. Once a decision has been reached ABC will notify the APA.*

*Responsible Party: Travis Hill, Chief Operating Officer*

*Estimated Completion Date: December 31, 2014*

## **2014-015: Improve Database Security**

*Applicable To: Dept. of Behavioral Health and Developmental Services*

### **Type of Finding: Internal Control and Compliance**

DBHDS continues to operate its databases that account for its financial activity without implementing the minimum controls in accordance with internal policy, the Commonwealth's Information Security Standard, and industry best practices. We communicated 13 areas of weakness during the fiscal year 2013 audit in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls. Although these weaknesses are still not resolved, we recognize that DBHDS has made reasonable progress in resolving these weaknesses in accordance with their corrective action plan. DBHDS plans to have these control weaknesses remediated by November 2014.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

As a consequence, DBHDS cannot ensure confidentiality, integrity, and availability for its financial database.

As reported in management's corrective action plans, the complete and proper solution to this prior finding is taking more than a year. We determined that DBHDS contracted with the IT Partnership to remediate these concerns by November 1, 2014; further, we will continue to provide updates on this finding in future reports until management has had enough time to fully implement their corrective actions, and we have evaluated them for effectiveness.

We recognize that DBHDS has made progress in resolving this weakness in accordance with their corrective action plan; therefore, we recommend that DBHDS continue to dedicate the necessary resources to complete the SQL Server upgrade in accordance with the current Commonwealth's Information Security Standards and industry best practices, such as those published by the Center for Internet Security.

### **Management Plan for Corrective Action for Dept. of Behavioral Health and Developmental Services**

*The Department concurs with the audit comment and continues to work towards implementing secure practices.*

*Responsible Party: Marcie Stidham-Stout, Chief Information Security Officer*

*Estimated Completion Date: September 1, 2015*

**2014-016: Improve IDOLS Security**

*Applicable To: Dept. of Behavioral Health and Developmental Services*

**Type of Finding:** Internal Control and Compliance

DBHDS does not implement certain controls in its Intellectual Disability On-Line System (IDOLS) that contains protected health information. We identified and communicated two inadequate systems security controls to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

As a consequence, DBHDS cannot ensure confidentiality, integrity, and availability for IDOLS.

DBHDS did not adequately manage or establish appropriate information security controls for IDOLS as management did not define its expectations through formal policies and procedures to appropriately configure IDOLS.

DBHDS should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Security Standard.

**Management Plan for Corrective Action for Dept. of Behavioral Health and Developmental Services**

*The Department concurs with the audit comment and will continue to enhance security over all systems. As a part of this effort, the Department will seek funding from the Governor for the 2016-2018 biennium.*

*Responsible Party: Marcie Stidham-Stout, Chief Information Security Officer*

*Estimated Completion Date: On-going*

## **2014-017: Develop and Submit an IT Audit Plan**

*Applicable To: Dept. of Behavioral Health and Developmental Services*

### **Type of Finding: Internal Control and Compliance**

DBHDS does not coordinate and plan audits over sensitive information technology (IT) systems to ensure they sufficiently protect data. DBHDS's Internal Audit Department has not developed or submitted an Information Technology Audit Plan for the past five years.

The Commonwealth's Information Technology Security Audit Standard, SEC 502-02.2 Section 2.1, requires that agencies submit an IT audit plan to the Chief Information Security Officer (CISO) of the Commonwealth of Virginia on an annual basis. SEC 502-02.2 Sections 1.4 and 2.1 further require Commonwealth agencies to annually update and create a three-year IT audit plan that covers the organization's sensitive IT systems. Additionally, the Commonwealth's standard requires that these audits are performed in accordance with either Government Auditing Standards (Yellow Book) or International Standards for the Professional Practice of Internal Auditing (IIA Standards). SEC 502-02 further requires at Section 2.2 that IT security audits be performed based on the minimum controls established in the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard).

IT system audits determine if reasonable controls are in place to protect sensitive data for each respective system. As DBHDS does not have a schedule for each sensitive IT system to be audited, DBHDS increases the risk of an IT system being overlooked that may contain significant risks that require remediation. These risks increase the risk of a potential data breach at DBHDS.

DBHDS Internal Audit did not establish an appropriate IT audit plan due to limited communication with management and a lack of understanding the SEC 502 requirements. Further, DBHDS management has not maintained an inventory of all sensitive IT systems that require audit.

DBHDS should establish a complete inventory of all sensitive systems. DBHDS should also dedicate the necessary resources to develop and submit timely annual three year IT audit plans to the Commonwealth CISO and complete them accordingly.

### **Management Plan for Corrective Action for Dept. of Behavioral Health and Developmental Services**

*DBHDS has had an inventory of sensitive IT systems since June of 2012. In addition, the required IT audit plan was submitted to VITA on December 15, 2014. In order to complete the audit plan, DBHDS submitted a budget request to the Governor for funds to be allocated to hire an Information Security Auditor. This request was rejected. Any internal redeployment of dollars to fund a position would take away limited resources necessary to fund mission critical services for individuals served by the department.*

*Responsible Party: Randy Sherrod, Director of Internal Audit*

*Estimated Completion Date: On-going*

## **2014-018: Improve Information Security Policies and Procedures**

*Applicable To: Department of Education - Direct Aid to Public Education*

### **Type of Finding: Internal Control and Compliance**

The Virginia Department of Education (DOE) does not properly manage certain aspects of their information security program. An agency's information security program is essential for establishing security baselines, best practices, and requirements for ensuring the protection of, and mitigate risks to agency information systems and data.

During our review, we noted the following weaknesses:

#### IT Systems/Data Backup and Restoration:

- DOE does not have a documented process to backup and restore certain mission-critical IT systems. DOE currently demonstrates that they monitor the IT Partnership's backup and restoration efforts. Additionally DOE has demonstrated they have an internal process for backing up software applications and IT systems. However, the Commonwealth's Information Security Standard SEC 501-08 (Security Standard), Section CP-9, requires that an agency implement documented backup and restoration plans to support restoration of systems, data and applications in accordance with agency requirements.

#### IT Change Control:

- DOE does not use proper change controls to guide the testing and implementation of internal database updates and patches. Specifically, DOE should ensure that all required updates for the database are tracked through the SRTS change control tool and use this tool to maintain version control. Security Standard, Section CM – 3.d, requires that an agency retain and review a record of each configuration controlled change to a system.

#### IT Systems and Data Security:

- DOE does not have an adequate IT Systems Hardening Policy. While DOE has documented that the IT Partnership provides infrastructure-level hardening, the Partnership does not provide systems and data hardening at the software/application level. Security Standard, Section CM-6, requires that an agency document mandatory configuration requirements consistent with System Hardening Standards.
- DOE does not scan all sensitive systems for vulnerabilities. Specifically, DOE scans the SSWS application but not the Oracle Financials or Teacher Licensure systems. While these systems are not public facing, they do include sensitive data which requires additional security controls. Security Standard, Section RA-5(2), requires that an agency scans each sensitive system for vulnerabilities at least once every ninety (90) days.

Failure to implement these requirements can result in DOE being unable to adequately address key aspects of the agency information security program for consistent management of system backup/restoration and IT systems hardening procedures. These procedures are essential for ensuring that IT systems are adequately protected from potential continuity and data hardening risks and vulnerabilities.

DOE has not implemented these requirements as a result of a lack of dedicated resources. Specifically, DOE does not have dedicated staff to adequately address these documentation and procedural requirements. We recommend that DOE should dedicate the necessary resources to ensure that their information systems security policies and procedures are consistent with the Security Standard.

*Management Plan for Corrective Action for Department of Education - Direct Aid to Public Education*

*DOE will document its backup and restoration plans in accordance with Commonwealth Security Standards. DOE will implement Change Controls to guide the testing and implementation of internal database updates and patches. DOE will document its System Hardening Policy. DOE will scan all sensitive systems for vulnerabilities.*

*Responsible Party: Bethann Canada, Educational Information Management Director*

*Estimated Completion Date: December 31, 2015*

**2014-019: Improve Information Security Officer Designation**

*Applicable To: Department of Education - Direct Aid to Public Education*

**Type of Finding:** Internal Control and Compliance

DOE does not properly place the Information Security Officer (ISO) position within its organizational structure. Commonwealth's Information Security Standard, SEC 501-08, Section 2.4.1, recommends that the ISO report directly to the agency head and should not report to the Chief Information Officer (CIO). Currently, the CIO also fulfills the responsibilities of the ISO.

Failure to properly place the ISO role within the organization prevents the position from being independent with regards to assessing the agency IT security controls of the IT environment and IT projects. Organizational independence is critical for an ISO to adequately assess security controls without competing priorities from the Information Technology Division.

DOE has not implemented this organizational change as a result of a lack of dedicated resources. Specifically, DOE has not dedicated staff to adequately separate the ISO and CIO role. We

recommend that DOE dedicate the necessary resources to ensure that the ISO is placed within the organizational structure to be able to objectively manage and evaluate the IT security program.

*Management Plan for Corrective Action for Department of Education - Direct Aid to Public Education*

*The DOE Agency Head has appointed the Deputy Superintendent for Finance and Operations to the Information Security Officer role.*

*Responsible Party: Dr. Steven Staples, Superintendent of Public Instruction*

*Estimated Completion Date: Already complete*

**2014-020: Improve IT Risk Management Documentation**

*Applicable To: Department of Education - Direct Aid to Public Education*

**Type of Finding: Internal Control and Compliance**

The Virginia Department of Education (DOE) does not properly manage certain aspects of their IT Risk Management documentation. An agency's IT Risk Management documentation is essential for protecting agency IT systems by identifying risks, vulnerabilities, and remediation techniques.

During our review, we noted the following weaknesses:

**Business Impact Analysis/IT Data and Systems Sensitivity Classification:**

- DOE does not properly classify IT systems and data sensitivity. While DOE does identify the sensitivity of a system in regards to confidentiality, integrity, and availability, it does not define the level of sensitivity, in regards to low, medium, or high. The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), Section 4.2.3, requires an agency to identify the sensitivity-level of a system or data on the basis of low, medium, or high.
- DOE does not properly determine the potential impact of risks identified in their risk management documentation. While DOE does define the magnitude of potential impacts, it does not document what those specific impacts may be, such as monetary, political, and reputational damages. Security Standard, Section 4.2.3, requires that an agency determine potential damages as a result of a compromise of sensitive data.
- DOE does not define specific regulatory requirements for applicable data, such as HIPAA and FERPA requirements. While DOE does educate and train employees on what data regulatory requirements are and has the ability to produce sanitized documents, DOE has

not identified these requirements according to each sensitive system. Security Standard, Section 2.2.8.2, requires that a data owner define protection requirements for data based on regulatory requirements for their respective system.

- DOE does not properly identify roles and responsibilities over IT systems. DOE has documented a prime contact and application lead for applications, but has not clearly defined what roles these fulfill or other required roles. Security Standard, Section 2, describes critical roles and responsibilities within an agency with respect to IT systems. Specifically, the roles of System Owner, Data Owner, Data Custodian, and System Administrator must be defined for each sensitive IT system.

IT Risk Assessments:

- DOE did not complete an IT Risk Assessment for the Oracle Financials system or the Teacher Licensure system. Security Standard, Section 6.2, requires that an agency conduct and document an IT risk assessment of all sensitive IT systems as needed but not less than once every three (3) years.

Failure to implement these requirements can increase the likelihood of DOE being unable to adequately address risks, vulnerabilities, and remediation techniques for sensitive IT systems. Additionally, failure to consistently identify information across IT Risk Management documents can result in inconsistent management of IT resources, based on sensitivity and risk.

DOE has not implemented these requirements as a result of a lack of dedicated resources. Specifically, DOE has not dedicated staff to adequately address these documentation requirements. We recommend that DOE dedicate the necessary resources to ensure that their IT Risk Management documentation is consistent for the entire agency and IT Risk Assessments are developed to address all sensitive IT systems.

*Management Plan for Corrective Action for Department of Education - Direct Aid to Public Education*

*DOE will reclassify IT systems in accordance with Commonwealth Security Standards. DOE will document risks in accordance with Commonwealth Security Standards. DOE will document the regulatory requirements for data according to each sensitive system. DOE will document the roles and responsibilities of System Owner, Data Owner, Data Custodian, and System Administrator for each sensitive IT system. DOE will complete an IT Risk Assessment for Oracle Financials and the Teacher Licensure system.*

*Responsible Party: Bethann Canada, Educational Information Management Director*

*Estimated Completion Date: December 31, 2015*

## **2014-021: Document IT Systems Backup and Restoration Policy and Procedure**

*Applicable To: Department of Social Services*

### **Type of Finding: Internal Control and Compliance**

Social Services does not have documented internal procedures that outline the actions needed to validate backup integrity and ensure efficient and effective mission-critical data restoration.

While Social Services can demonstrate that they monitor the Information Technology (IT) Partnership's infrastructure backup and restoration efforts, the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), Section CP-9, requires that an agency develop documented backup restoration plans to support restoration of its applications. Agency applications do not fall under the IT Partnership's purview.

Adopting a formalized policy and procedure will increase the ability for Social Services to consistently govern application backup and restoration efforts and ensure that clear and documented expectations exist between the agency and the IT Partnership. A formalized policy and procedure will also reduce the risk of Social Services' inability to successfully restore mission essential functions that are dependent on software applications that are hosted on the IT Partnership's servers.

Social Services did not have a formal documented process due to a misunderstanding of the distinction between an IT Disaster Recovery Plan and an IT Backup and Restoration Policy. While some aspects of both governing documents are similar, the Security Standard maintains that they are separate and distinct documents that serve different purposes.

Social Services should dedicate the necessary resources to create a policy and procedure that document the established IT systems backup and restoration process.

### **Management Plan for Corrective Action for Department of Social Services**

*DIS will create the requested IT Backup and Restoration Policy using the Business Impact Assessment data available from our Risk Management group within the Security Division.*

*Responsible Party: Robert Hobbleman, Chief Information Officer*

*Estimated Completion Date: March 31, 2015*

**2014-022: Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls**

*Applicable To: Department of Social Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** 1405VA5MAP, 1405VA5ADM (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § \_\_.300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

The Information Security Officer (ISO) at Social Services is not maintaining the appropriate detective controls to determine what users with elevated levels of access are doing within the Application Benefit Delivery Automation Project (ADAPT) system.

The Commonwealth's Information Security Standard, SEC 501-07.1 (Security Standard), Section 2.5.4, requires that the Information Security Officer implement and maintain the appropriate balance of preventative, detective, and corrective controls for agency information systems commensurate with data sensitivity, risk, and systems criticality.

ADAPT is the case management system for the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Medicaid programs. Without the Information Security Officer maintaining the appropriate detective controls to determine what users with elevated levels of access are doing within ADAPT, management cannot assure itself that unauthorized transactions did not take place.

During the prior year audit, we found that the Secretary of Health and Human Resources tasked the Department of Medical Assistance Services (Medical Assistance Services) to perform a project to determine if discrepancies in information critical to eligibility determination existed between the Commonwealth's different case management systems. While performing this project, Medical Assistance Services identified several discrepancies between the systems. As a result, Social Services then tasked several employees to update information in ADAPT.

When granting access to ADAPT, management elected to give these individuals access allowing them to make updates within the application. The access granted allowed these employees to override the eligibility determination rules, and make updates directly to the supporting database. While the ISO originally objected to providing these individuals with this level of access, the access was later granted without any compensating controls.

The ISO has a mechanism to track the actions of database administrators, which have capabilities similar to the employees in question within ADAPT. The ISO had the ability to track what these users were doing in ADAPT. However, the Divisions within Social Services which authorize the users' elevated levels of access have not worked with the ISO to confirm that enough information has been provided in order to implement detective controls. Therefore, the ISO is unable to review what tasks these users are performing because the listing of cases authorized to be updated have

not been provided to the Division of Information Technology. The ISO continues to not be able to develop an expectation as to what would be considered a reasonable modification.

Going forward, the Divisions within Social Services which authorize users to have elevated levels of access should work with the ISO to confirm that enough information has been provided in order to implement detective controls. By doing such, the ISO will be able to assure the Commissioner that Social Services' systems are properly secured and that information has not been incorrectly altered.

Management Plan for Corrective Action for Department of Social Services

*Going forward all requests for elevated levels of access will include a copy of the changes to-be-made. An audit sample will be selected and confirmed during and after the use of elevated access has been removed. The results of this sample comparison will be reviewed by the CISO Monthly.*

*Responsible Party: Matt Teasdale, Chief Information Security Officer*

*Estimated Completion Date: January 31, 2015*

**2014-023: Implement and Monitor a Change Management Process for Sensitive Applications**

*Applicable To: Department of Social Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** VA20141 (2014)

**Compliance Requirement:** Other -

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

While Social Services has approved a formal change management policy and process since our last audit, Social Services has not yet implemented or monitored this process in its information technology (IT) environment. Social Services continues to work towards implementing its change management process for sensitive applications.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), Section CM-1 and CM-3-COV, requires agencies to implement its formal change control policy and procedures.

Not implementing the new change management policy and procedures may introduce inconsistent and improper changes to the Social Services IT environment, which may result in unreliable, unavailable, or compromised sensitive data.

Social Services originally indicated in its corrective action plan that it would “establish, implement and monitor a policy for ‘Change Management Process’ ... [by] September 30, 2014.” However, since Social Services only approved its change management policy in September 2014, implementing and monitoring this policy has not yet been possible.

Social Services should continue to follow their corrective action plan by dedicating the necessary resources to implement and monitor the recently approved change management policy and process over its IT environment.

Management Plan for Corrective Action for Department of Social Services

*DIS, in collaboration, with the DSS-IT Council members will dedicate the required resources to implement the Change Management tracking tool so that monitoring of the management policy can start.*

*Responsible Party: Robert Hobbleman, Chief Information Officer*

*Estimated Completion Date: April 30, 2015*

**2014-024: Improve Database Security**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Child and Adult Care Food Program - 10.558

**Federal Award Number and Year:** 1VA300399 (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .400(d)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health continues not to implement certain controls in its database management system supporting the Regional Office Administered Program (ROAP) web application. During the fiscal year 2013 audit, we identified and communicated this weakness to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. To date, this has not yet been resolved. As a consequence, Health cannot ensure financial integrity for the ROAP system.

The Commonwealth’s Information Security Standard, SEC 501-08, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

As reported in management’s corrective action plans, the complete and proper solution to this prior finding is taking more than a year. We determined that Health contracted with the IT Partnership to remediate these concerns by November 30, 2014; further, we will continue to provide

updates on this finding in future reports until management has had enough time to fully implement their corrective actions, and we have evaluated them for effectiveness.

We recognize that Health has made progress in resolving this weakness in accordance with their corrective action plan; therefore, we recommend Health continue to dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Security Standard.

*Management Plan for Corrective Action for Department of Health*

*VDH OIM responded to the APA recommendations implementing applicable mitigating controls on ROAP during the past year (as referenced in the Recommendation above). VDH has also implemented the security controls identified as part of the recommendation.*

*Responsible Party: Wes Kleene, Information Security Officer*

*Estimated Completion Date: Completed*

**2014-025: Ensure Timely Security Awareness and Training**

*Applicable To: Department of Health*

**Type of Finding:** Internal Control and Compliance

Health does not disable user accounts for employees that do not attend Health's annual mandatory security awareness and training program. Further, approximately 16 percent of Health's employees did not complete this training in fiscal year 2014 and continued to have access to Health information systems.

Health's policy and the Commonwealth's Information Security Standard (Security Standard), SEC 501-08 Section 8.2: Awareness and Training, require Health to annually provide security awareness and training to all information system users, including employees and contractors.

Without security awareness and training, Health increases the risk of a user making an inadvertent mistake that may potentially lead to incidents such as a data breach or system unavailability.

Health does not enforce its policy that requires employees to attend security awareness and training each year. Typically, this control is enforced by disabling the employees' user accounts until the employees have attended the annual security awareness and training program.

We recommend that Health disable user accounts that belong to employees who have not completed the annual security awareness and training program. We also recommend that Health maintain sufficient records of training completion in accordance with the Security Standard.

Management Plan for Corrective Action for Department of Health

*VDH provided substantiating evidence that the Information Security Program does offer Information Security Awareness Training to VDH staff (employees, contractors, etc.) through the agency TRAIN system. This training is provided and available to all VDH staff in an on-demand basis. In addition, the ISO provided multiple reminders/requests to Office Directors, Health Directors, and Business Managers regarding the Information Security Awareness training policy.*

*The training requirement has also been integrated into the VDH Office of Human Resources policy for onboarding and agency training.*

*VDH will implement a policy for compliance with the training requirement by June 30, 2015. This will include certification on an annual basis by Office/Health Directors that their staff completed the required training each year. Actions for non-compliance will be addressed as part of the policy and enforcement.*

*Responsible Party: Wes Kleene, Information Security Officer*

*Estimated Completion Date: June 30, 2015*

**2014-026: Identify a Backup for Medicaid Management Information System Administration and Document the Process**

*Applicable To: Department of Medical Assistance Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** 1405VA5MAP, 1405VA5ADM (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

The Information Security Officer (ISO) is the only individual at Medical Assistance Services who can create, modify, or delete access clusters in the Medicaid Management Information System. Additionally, there is no documentation of how the ISO executes these tasks.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), AC-2-COV (h), requires at least two individuals have administrative accounts to provide continuity of

operations. Security Standard AC-2-COV requires agencies to document management practices for administering accounts.

Without a back-up or documentation on how to administer access, Medical Assistance Services risks not being able to manage access to the Medicaid Management Information System.

According to management, the complexities of the Medicaid Management Information System and limited staffing has caused Medical Assistance Services to not identify a back-up or document how the ISO creates, modifies, or deletes access clusters.

We recommend that management identify a back-up for administering access to the Medicaid Management Information System. Additionally, we recommend that management document the process for administering Medicaid Management Information System access.

*Management Plan for Corrective Action for Department of Medical Assistance Services*

*DMAS has designated a backup ISO for administering MMIS access and will be training the backup to perform the following functions:*

- 1. Change a cluster (add/delete)*
- 2. Add a new cluster*
- 3. Remove a cluster*

*A new APEX application to manage the MMIS access clusters has been developed. The input to the application is authorized by the user's management. Currently, the application is in User Acceptance Testing (UAT) and not yet in production.*

*Responsible Party: Mukundan Srinivasan, DMAS Information Management Division  
Director; Theresa Fleming, DMAS Information Security Officer,  
Office of Compliance and Security, Information Management  
Division*

*Estimated Completion Date: December 31, 2015*

**2014-027: Correct Operating Environment and Security Issues Identified by their Security Compliance Audit**

*Applicable To: Department of Medical Assistance Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** 1405VA5MAP, 1405VA5ADM (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Medical Assistance Services' Internal Audit Division (Internal Audit) review dated January 31, 2014, evaluated Medical Assistance Services operating environment and security business processes for the period July 1, 2012, through June 30, 2013. The review found that Medical Assistance Services had generally implemented adequate processes for compliance with the Commonwealth's Information Security Standard, SEC 501-7.1 (Security Standard), and the Health Insurance Portability and Accountability Act (HIPAA) Security Rule; however, there were 15 noted exceptions involving the following controls:

- Contingency Planning
- Configuration Management
- Mobile Device Management
- Physical Security Procedures
- Risk Assessment Procedures
- Audit Logging and Monitoring
- Password Configuration Management
- Logical Access Controls
- Personal Information Protection
- Contract Management
- Sensitive Documentation Handling Procedures
- Training Materials
- Email Disclaimer Requirements
- Publicly Accessible Content Reviews
- Policies and Procedures Reviews

The Security Standard requires that all state agencies develop and implement appropriate policies and procedures that meet the minimum standards outlined within it, to include sub-section 6: Risk Management and sub-section 8: Security Control Catalog.

Medical Assistance Services has increased the risk to its sensitive information systems and data, with regards to confidentiality, integrity, and availability. Critical information systems and data could be impacted due to the weaknesses identified above, which would hinder Medical Assistance Services ability to perform its mission essential functions in support of the Commonwealth.

Medical Assistance Services has not adequately applied the appropriate resources and staff to address the information technology IT security needs of the agency and address exceptions reported in the Internal Audit Division's prior review.

We recommend that Medical Assistance Services continue to follow its corrective action plans for the 15 identified weaknesses. Medical Assistance Services should also, develop or acquire the necessary resources to ensure that appropriate controls are applied over its sensitive information systems and data.

*Management Plan for Corrective Action for Department of Medical Assistance Services*

*The Information Management Division, the Office of Compliance and Security, the Human Resources Division, and the Fiscal and Purchases Division have been working together to address the findings of the DMAS Security Compliance Audit dated January, 31, 2014. To date, nine of the 15 findings have been resolved. Listed is a summary of the corrective action plan for each finding.*

- 1. Contingency plans were not approved, distributed, or updated.  
The Information Management Division and the Office of Compliance and Security completed a second redraft of the DMAS HIPAA Contingency and Disaster Recovery Plan on December 18, 2014.*
- 2. Change management approvals were not documented (Financial System).  
The Information Management Division implemented a configuration control process for the Financial System applications on April 27, 2014.*
- 3. Controls for mobile devices should be established and implemented.  
The Information Management Division, the Office of Compliance and Security, and the Human Resources Division finalized the Mobile Device (BYOD) Policy effective October 15, 2014. The Policy was signed by Agency Head, and announced to Agency October 30, 2014.*
- 4. Physical access controls should be strengthened.  
DMAS has upgraded its badge access system to Kastle and is in the process of updating its processes and procedures. Additional reports are also being considered. The Office of Compliance and Security is coordinating with the Human Resources Division (HR). The estimated completion date is May 1, 2015.*
- 5. DMAS risk management processes, including data sensitivity classification and system inventory procedures, need improvement.  
DMAS Office of Compliance and Security (OCS) prepared a Statement of Work (SOW) to obtain a formal Risk Assessment (RA) at DMAS on its Agency applications. The SOW was posted, bids were reviewed, and a vendor selection*

*was made. The Information Management Division expects the RA to begin in January 2015 with an estimated completion date of June 30, 2015.*

- 6. Audit logging and monitoring procedures should be implemented.*  
*The Information Management Division addressed the fiscal services administrator's role by designing a new role called DMAS\_FISCAL\_ADMIN and provides the minimum access needed to provision user accounts. We have revoked the financial services administrator's access to the SYSADMIN role. The Information Management Division developed a process to provide the SYSADMIN use log and auto-provide to the ISO and the ISO has verified this is working. A new application has been created to review the application access logs and the SYSADMIN logs are now sent to the DBA Manager and the ISO (Security Help email id) on a monthly basis. The corrective actions were completed on December 1, 2014.*
- 7. Strong passwords are not enforced for DMAS information systems (Financial System).*  
*The Information Management Division completed corrective action on December 1, 2014. The password reset process (for user password lockout) has been modified so that, passwords are not automatically unlocked, unless the user contacts the DBA directly for assistance.*
- 8. Procedures for requesting, authorizing, documenting, and reviewing access to DMAS information systems should be strengthened.*  
*The DMAS Office of Compliance and Security (OCS) has pursued a workflow product to assist in providing tools for System Owner and Data Owner reviews to occur more routinely on a documented basis. This is pending funding to allow for purchase. Due to purchase/implementation delay, the estimated completion date is May 1, 2015.*
- 9. Social security numbers are not redacted or masked.*  
*The DMAS Information Management Division is working on updating the application involved to remove the outdated field (containing the social security number) to a generic sequence number. The Financial System has been updated to use a generic sequence number for the Vendor number field. Corrective action was tested and completed on December 13, 2014.*
- 10. DMAS does not have an updated contract with the agency service provider.*  
*The Information Management (IM) Division worked closely with VITA to establish/modify its MOU to include SLAs as required. Weekly meetings occur with VITA/NG. IAG-404 was signed by the Agency Head on February 10, 2014.*

11. *Shred bins located throughout the DMAS facility remain unlocked. All shred bins were locked on May 13, 2014. A DMAS agency-wide announcement was made on that date.*
12. *DMAS training materials should be enhanced. The Office of Compliance and Security (OCS) is in the process of updating its training materials to more clearly include the concept of separation of duties and intellectual property rights. This corrective action was delayed due to other higher-priority work; the estimated completion date is May 1, 2015.*
13. *DMAS email disclaimer was not enforced. The Agency-wide email disclaimer for use with all outgoing email messaging was reviewed and approved by the DMAS Security Advisory Committee (SAC). The email disclaimer was implemented on September 2, 2014. An agency-wide announcement was made on that same date.*
14. *Procedures to review publicly accessible content should be improved. The Information Management (IM) Division is pursuing a change control process for its web content. An application to handle the change control workflow for the web content is in development. The system is patterned after an existing configuration management system for development. Documentation of the process has been drafted. The application is currently in User Acceptance Testing (UAT). The expected completion date is February 15, 2015.*
15. *DMAS policies and procedures were not updated. DMAS Office of Compliance and Security (OCS) has updated its Policy and Standards. Procedures were delayed due to VITA transformation activities, and limited staff availability. DMAS plans to address these issues but the effort has been delayed due to other higher priority work. The estimated completion date is May 1, 2015.*

*Responsible Party: Mukundan Srinivasan, DMAS Information Management Division Director; Theresa Fleming, DMAS Information Security Officer, Office of Compliance and Security, Information Management Division; Kathleen Guinan, DMAS Human Resources Division Director; Karen Stephenson, DMAS Fiscal and Purchases Division Director*

*Estimated Completion Date:*

<b>Finding</b>	<b>Date Completed</b>	<b>Estimated Completion Date</b>
<b>1. Contingency plans were not approved, distributed, or updated.</b>	December 18, 2014	-
<b>2. Change management approvals were not documented (Oracle).</b>	April 27, 2014	-
<b>3. Controls for mobile devices should be established and implemented.</b>	October 30, 2014	-
<b>4. Physical access controls should be strengthened.</b>	-	May 01, 2015
<b>5. DMAS risk management processes, including data sensitivity classification and system inventory procedures, need improvement.</b>	-	June 30, 2015
<b>6. Audit logging and monitoring procedures should be implemented.</b>	December 12, 2014	-
<b>7. Strong passwords are not enforced for DMAS information systems (Oracle).</b>	December 12, 2014	-
<b>8. Procedures for requesting, authorizing, documenting, and reviewing access to DMAS information systems should be strengthened.</b>	-	May 01, 2015
<b>9. Social security numbers are not redacted or masked.</b>	December, 13 2014	-
<b>10. DMAS does not have an updated contract with the agency service provider.</b>	February 10, 2014	-
<b>11. Shred bins located throughout the DMAS facility remain unlocked.</b>	May 13, 2014	-
<b>12. DMAS training materials should be enhanced.</b>	-	May 01, 2015
<b>13. DMAS email disclaimer was not enforced.</b>	September 02, 2014	-
<b>14. Procedures to review publicly accessible content should be improved.</b>	-	February 15, 2015
<b>15. DMAS policies and procedures were not updated.</b>	-	May 01, 2015

## **2014-028: Improve IT Risk Management Plans**

*Applicable To: Department of Taxation*

### **Type of Finding: Internal Control and Compliance**

Taxation does not update its IT risk management plans in a timely manner. Taxation's IT environment is constantly changing and conducting periodic and timely threat and vulnerability evaluations is critical to establish proper safeguards for sensitive data.

The Commonwealth's Information Security Standard (Security Standard), SEC 501-08, and Taxation's internal policy requires timely updates to IT risk management plans, such as business impact analysis and risk assessments. Specifically, we found that Taxation does not meet the Security Standard's requirements in the following areas.

- Taxation does not have updated risk assessments that comply with its new risk management plan and the Security Standard. Taxation has not created system specific risk assessments since 2009. Additionally, the risk assessments from 2009 do not have all the elements required by the Security Standard. The Security Standard, Section RA-1, requires agencies to maintain updated IT risk assessments that are consistent with its risk management and contingency plans for all sensitive applications and systems as needed, but no later than once every three (3) years.
- Taxation does not have an updated business impact analysis (BIA) that meets the requirements established in Taxation's information security policy. Taxation has stated that its BIA is currently out of date and needs to be updated in order to perform further risk assessments over its sensitive systems. Additionally, the outdated BIA does not include an adequate revision history to track changes and updates. Taxation's Information Security Policy, version 3, section "Required Security Reviews, Audits and Evaluations," requires annual reviews and revisions of the BIA. However, Taxation could not provide documentation that these annual reviews and revisions have occurred. Additionally, the Security Standard, Section 3.1, requires that agencies review and revise its business impact analysis as needed, but no later than once every three (3) years.

Taxation was unable to meet these security requirements due to a lack of dedicated IT security resources. Additionally, Taxation went through a recent transition to a new Information Security Officer. During this transition, information about the revision history for the BIA was lost. Taxation is in the process of interviewing and hiring a Risk Manager who will update these risk management and contingency planning documents and ensure that they meet the requirements defined in the Security Standard.

Without updated risk assessments and a business impact analysis, Taxation cannot accurately determine the appropriate information security safeguards to protect sensitive data. We recommend that Taxation dedicate the necessary resources to update and improve the risk assessment and business impact analysis component of its IT risk management plan to align it with internal policy and requirements in the Security Standard.

*Management Plan for Corrective Action for Department of Taxation*

*TAX recognized these planning and documentation issues and requested funding to hire qualified staff to address these issues. The 2014 General Assembly approved the requested funding and TAX has hired an Information Technology Risk Manager and three other positions are being recruited. The Risk Manager will be responsible for preparing the update to the agency's BIA and Risk Assessment.*

*Responsible Party: Grayson Walters, Information Security Officer*

*Estimated Completion Date: September 30, 2015*

**2014-029: Improve Physical Security to Server Room**

*Applicable To: Department of Taxation*

**Type of Finding:** Internal Control and Compliance

Taxation does not have appropriate physical security controls in place to protect IT systems that store sensitive taxpayer information. While these server rooms do not house servers with key financial information, failure to implement the requirements in the Security Standard may result in Taxation being unable to adequately protect sensitive IT systems from human risk, which may result in the compromise of sensitive Taxpayer information. During our review, we noted the following weaknesses:

- There are multiple Taxation employees who have access to the server rooms that do not have a documented job responsibility that requires server room access. As a result, Taxation is not implementing the principle of least privilege over server room access. Specifically, we found that 21 Taxation employees have access to the server rooms without a documented job responsibility that require physical access to the server room. The Commonwealth's Information Security Standard, SEC501-08 (Security Standard), Section AC-6, requires that an agency allow employees access only when that access is necessary to accomplish assigned tasks in accordance with organizational missions and business functions.
- Taxation does not require that all employees with physical access to the server rooms go through its formal authorization process. Seven percent of Taxation's employees who

have badge access to the server rooms without formal authorization documentation. The Security Standard, Section PE-3, requires that an agency enforce physical access authorizations for access to facilities where information systems reside.

- Taxation has not assigned the responsibility of reviewing physical access to sensitive IT systems that contain taxpayer information to an employee who does not have access to the same systems. Taxation should use appropriate separation of duties to ensure that the person that is responsible to review daily activity logs does not also have access to the server room. Additionally, the employee responsible for reviewing daily activity should be informed about the job responsibilities of each employee who has access so that they can observe and report on any anomalies or suspicious activities. The Security Standard, Section PE-6, requires that an agency monitor physical access to information systems and respond to physical security incidents.

Taxation was unable to meet these security requirements due to lack of dedicated IT Security resources. Taxation did not allocate the resources necessary to identify and respond to the security risks associated with physical access to the server rooms.

We recommend that Taxation dedicate the necessary resources and staff to develop and implement appropriate policies and procedures to protect sensitive IT systems for human risk and in accordance with the Security Standard. We also recommend that Taxation train the affected employees in establishing and reviewing physical access controls to ensure compliance with its own policy and the Commonwealth's Security Standard.

*Management Plan for Corrective Action for Department of Taxation*

*Annually TAX supervisors perform a recertification of all physical access permissions. TAX will add a step to the recertification procedures that requires the supervisors to document in the employees' Employee Work Profile forms the purpose for any "special access." In addition TAX will assign responsibility for the review of the physical access daily activity logs to a staff person who does not have access to these facilities.*

*Responsible Party: Grayson Walters, Information Security Officer*

*Estimated Completion Date: September 30, 2015*

**2014-030: Improve Web Application Security**

*Applicable To: Department of Transportation*

**Type of Finding:** Internal Control and Compliance

Transportation does not allocate sufficient resources to properly implement and manage security controls for applications enabling critical support systems. These systems contain confidential information and are critical to the operation of many of Transportation's business functions, and have not been configured with some of the minimum security controls required by the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard).

We identified three control weaknesses that were communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

We recommend that Transportation dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Security Standard and that these controls are implemented in a timely manner.

**Management Plan for Corrective Action for Department of Transportation**

*VDOT agrees with the APA's findings and recommendations and will implement the following corrective actions:*

- *Update Oracle Database software to the most current version. Expected completion date is April 30, 2015.*
- *VDOT implemented enhanced authentication for remote sessions connecting to InsideVDOT on November 15, 2014. This enhancement also mitigates the risk of data leakage to potential attackers by further securing remote connections.*

*Responsible Party: Murali Rao, Chief Information Officer*

*Estimated Completion Date: April 30, 2015*

## **2014-031: Improve Information Security Officer Designation**

*Applicable To: Department of Transportation*

### **Type of Finding: Internal Control and Compliance**

Transportation does not position the Information Security Officer (ISO) role and the Information Security Office in an organizationally independent unit from the Chief Information Officer (CIO) and Information Technology Division. The Commonwealth's Information Security Standard, SEC501-08 section 2.4.1 recommends that the ISO report directly to the agency head, where practical, and not report to the CIO.

Currently, Transportation's CIO is responsible for the agency's IT enterprise as well as being assigned the ISO role. Having the ISO role report to the CIO, or having the same agency staff assume both roles, may limit effective assessment and necessary recommendations of security controls in the organization due to potential competing priorities and conflicts of interests.

During our review, we originally found that Transportation had not fully considered the need for full independence of the Information Security Officer and the Information Security Office in relationship to the CIO function. Subsequently, Transportation has performed a preliminary internal review of the Information Technology office and evaluated the proper reporting relationship between the CIO and the ISO functions. Based on this review, Transportation tentatively agrees with the need for the separation of these functions.

We recommend that Transportation further evaluate and finalize the organizational placement of the ISO and the Information Security Office within the organization to eliminate any potential conflicts of interest in the implementation of their information security program and controls. We also recommend that the ISO and the Information Security Office be adequately positioned within the Transportation reporting structure to ensure a direct access to the agency head when necessary.

### **Management Plan for Corrective Action for Department of Transportation**

*VDOT is concluding a review of the Information Technology program which has also considered the proper reporting relationship between the CIO and the ISO functions. This review also recommends the separation of the CIO and the ISO functions.*

*While a final decision has not been made on the organizational alignment of the ISO function, it is possible that the ISO may be within the Information Technology Division, reporting to the CIO. If such a reporting structure is implemented, then the ISO function will be redefined to enable the ISO to have direct access to the agency head on emergency and conflict avoidance situations or matters relating to the CIO.*

*Information Technology Division will now be reporting to the Chief of Administration (COA), so there is also the possibility of allowing a direct or dual reporting relationship by the ISO function to the COA.*

*Responsible Party: Wanda H. Wells, Chief of Administration*

*Estimated Completion Date: December 31, 2015*

**2014-032: Improve IT Risk Management and Disaster Recovery Planning Programs**

*Applicable To: Department of Planning and Budget*

**Type of Finding:** Internal Control and Compliance

DPB does not consistently define or perform essential elements of their Risk Management and Disaster Recovery Planning programs. These processes are essential for an organization to assess and mitigate systems security risks and threats to business operations and supporting information systems.

Section 8 of the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), requires the identification of system vulnerabilities, threats, safeguards, threat probabilities and loss impacts. Further, the Security Standard requires individual risk assessments for all sensitive systems identified in an agency's Business Impact Analysis and requires an annual self-assessment of its sensitive system risk assessments. Lastly, the Security Standard requires agencies to perform annual exercises to assess the adequacy and effectiveness of its Disaster Recovery Plan (Plan).

DPB's current risk assessment, which includes three mission essential systems, does not maintain all requirements of the Security Standard. Additionally, DPB does not have individual risk assessments completed for all sensitive systems as outlined in their Business Impact Analysis. Lastly, DPB is not conducting annual self-assessments of its sensitive systems nor performing annual exercises to assess the effectiveness of its Plan.

DPB's lack of completed risk assessments across all sensitive systems increases the risk that any known system threats and vulnerabilities will not be appropriately considered, planned for, or mitigated. The lack of a performed exercise of the Plan increases the risk that in the event of a disaster, DPB will not be able to effectively recover from system backups, or prioritize the order in which to restore systems. Further, DPB's failure to exercise its Plan on a regular basis could ultimately lead to significantly affected or compromised business operations.

These weaknesses are primarily due to DPB's lack of available resources and staffing to reasonably develop and implement an adequate Risk Management and Disaster Recovery Program that meets the requirements outlined in the Security Standard. The role of the Information Security

Officer is currently assigned as an alternate function of one DPB employee, and not having a dedicated security resource has resulted in the identified weaknesses in DPB's Risk Management and Disaster Recovery Programs.

We recommend that DPB dedicate the necessary resources to develop and implement an adequate Risk Management and Disaster Recovery Program. DPB should also dedicate the necessary resources to ensure the performance of Risk Assessments for all sensitive systems, as well as develop a processes to conduct annual self-assessments. Further, DPB should review the IT Risk Management requirements established in Section 8 of the Security Standard to ensure that IT systems and data are appropriately classified. Lastly, we recommend that DPB annually test their Disaster Recovery Plan and reassess and improve the Plan based on the results of the tests.

*Management Plan for Corrective Action for Department of Planning and Budget*

*In regard to the recommendation related to IT risk management and disaster recovery, DPB gives the highest level of consideration to your comments and recommendations, and I will reiterate that DPB is working with VITA to identify solutions that could be implemented within the resources that currently exist for a small state agency. The solutions identifies thus far are costly and represent recurring financial commitments. The recommendation states that DPB should be dedicating necessary resources to ensure the performance of risk assessments, but I am concerned that the resources that your office expects this agency to dedicate may not be possible because of current and future budgetary constraints. I also want to note that this agency has long-standing staff with IT backgrounds, and the staff closely monitors all of DPB's systems and works closely with VITA to address any system issues, which include access issues. It is also important to note that, when VITA was formed, staff and resources to perform these functions were removed from state agencies and transferred to VITA. As time has passed, VITA has not taken on the role of providing security services for agency-based legacy systems nor has funding been restored to agencies to resume these responsibilities.*

*In regard to its Disaster Recovery Plan (Plan), DPB will review this plan in conjunction with its annual update of the Continuity of Operations Plan (COOP) to ensure that the Plan addresses annual exercises of effectiveness. As part of this review, DPB will formalize in the COOP and its Plan the existing process where the PB system is periodically subject to software updates where the system is brought down and then restored. DPB also will work with VITA to meet the Commonwealth's Security Standard. The development plan for this finding will have a completion date of August 31, 2015, and I note the plan will be developed within the constraints of existing financial resources.*

*Responsible Party: Michelle Vucci, Administrative Services Manager*

*Estimated Completion Date: August 31, 2015*

## **2014-033: Improve Information Security Program**

*Applicable To: State Corporation Commission*

### **Type of Finding:** Internal Control and Compliance

The Commission does not create and approve policies and procedures for certain required information security controls in its information systems security program. While the Commission conducts some controls in practice, there are no documented and approved requirements to ensure that the Commission's staff and contractors apply all the necessary controls to protect confidential and mission critical data. During our review, we determined that the Commission's security program does not contain documented policies and procedures for the following controls:

- IT Systems Hardening (Security Standard: Sections CM-3, CM-6, SA-3 COV-2, AC-17 COV)
- Systems Interoperability (Security Standard: Sections CA-3, CA-3 COV)
- Malicious Code Protection (Security Standard: Sections SI-3, SI-3 COV)
- Data Storage and Media Protection (Security Standard: Sections MP-1, MP-1 COV)
- Data Backup and Restoration (Security Standard: Sections CP-9, CP-9 COV, CP-10)

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), section 1.1, requires agencies to develop a security program that includes documented policies and procedures for the required controls.

The absence of documented and approved policies and procedures for the controls mentioned above increases the risk of a control failure that may cause data to be compromised, inaccurate, or lost. Information security policies and procedures are mechanisms for the Commission to evaluate the appropriate data safeguards and allows the Commission to communicate these clearly to the staff responsible to protect sensitive data. The complexity of consistent implementation of security controls is greatly increased without policies and procedures that complies with the Security Standard and any individual controls needed due to the Commission's unique business requirements.

The Commission recently hired a replacement for their Information Security Officer (ISO) position, which remained vacant for over a year. The lack of an ISO directly impacted the Commission's ability to update and maintain its information security program to ensure compliance with the Security Standard.

We recommend that the Commission dedicate the necessary resources to improve their information security program and establish processes to reduce the impact of potential future transitions in the ISO position. The Commission should also develop the specific lacking policies and procedures as noted in the finding above. This process should include a gap analysis between the Commission's current information security program and the Security Standard.

Management Plan for Corrective Action for State Corporation Commission

*The Commission will dedicate resources to improve the information security program, and will develop a plan to draft and implement the specific policies and procedures noted in the APA findings in accordance with the SEC501 standard. That plan will also address development of a gap analysis between the current information security program and the SEC501 standard.*

*Responsible Party: Information Security Officer*

*Estimated Completion Date: June 30, 2015*

**2014-034: Improve End User Computer Controls**

*Applicable To: State Lottery Department*

**Type of Finding:** Internal Control and Compliance

The Virginia Lottery (Lottery) does not use the principle of least privilege to restrict permissions for end user computers. Allowing excessive computer permissions increases the risk that malware is unintentionally downloaded and installed on employees' computers. Once installed, this malware may propagate throughout Lottery's internal computers and can make them unavailable. Certain malware is also designed to collect information processed on infected computers and send it to a server outside the organization; thereby making the confidential data available to unauthorized entities.

We have communicated the details of this finding to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls.

While Lottery is running a mature information security program, this finding weakens the layered information security controls protecting confidential and mission critical agency data.

We recommend that Lottery implement the controls discussed in our recommendation in accordance with the Commonwealth's Information Security Standard, SEC 501-08.

Management Plan for Corrective Action for State Lottery Department

*Improve End User Computer Controls*

*The Lottery's Information Technology Security Committee recognized this concern regarding end user permissions in FY2014, and to that end, had already opened up a project to address these concerns.*

*We communicated the details of our risk mitigation solutions to the Auditor of Public Accounts under a separate document also marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls.*

*Responsible Party: Joe Hubble, Virginia Lottery Information Security Manager*

*Estimated Completion Date: December 31, 2015*

**2014-035: Improve Student Health Portal Security**

*Applicable To: Virginia Commonwealth University*

**Type of Finding: Internal Control and Compliance**

Virginia Commonwealth University (the University) lacks certain controls to protect its Student Health Portal that contains sensitive student data covered under the Family Educational Rights and Privacy Act. Weak controls can create vulnerabilities that expose sensitive data to potential compromises, which, as a result, may lead to reputational damage and financial penalties imposed on the University.

Our review noted several areas of weakness that we have communicated in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls.

We recognize that management has been actively working to address these concerns. Therefore, we recommend that the University continue to dedicate the necessary resources to implement the controls discussed in our recommendation in accordance with industry best practices and University Policy.

**Management Plan for Corrective Action for Virginia Commonwealth University**

*VCU concurs with the findings, and management has immediately taken steps to correct the identified issues. As an ongoing effort, VCU will continue to establish configuration baselines and controls for the various technology platforms used within the University, and effectively communicate these baselines and controls to both the central and departmental IT units.*

*Responsible Party: Dan Han, Information Security Officer*

*Estimated Completion Date: December 15, 2014*

## ACCESS CONTROLS

### **2014-036: Improve Access Controls for the Crossroads System**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Special Supplemental Nutrition Program for Women, Infants, and Children - 10.557

**Federal Award Number and Year:** 1VA700707 (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health is not properly managing administrator access to the Crossroads application. The Crossroads system is a web-based application that acts as the system of record for the CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). We identified system administrator accounts that are not being monitored appropriately. The accounts were assigned to the system's development contractor, but were assigned to individuals that are either no longer employed with the contractor or no longer assigned to work on the project for Health.

Commonwealth's Information Security Standard, SEC 501-08, requires a formal, documented access control policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and formal, documented procedures to facilitate the implementation of the access control policy and associated access controls. Additionally, each agency shall or shall require that its service provider document and implement account management practices for requesting, granting, administering, and terminating accounts.

Untimely removal of access has resulted in unauthorized access to the Crossroads application through the administrator accounts assigned to the separated contractors. The accounts are being accessed after the separation date of the contracted employee, and their activities within the system are not being reviewed by Health. The accounts can be used for unauthorized activities or are being shared with other users. Since no review has taken place and there is no evidence of who is using these accounts, management cannot assure itself that unauthorized or fraudulent transactions did not take place.

Although Health monitors its own employees' access monthly, the developer's administrator accounts were specifically excluded from the review. Health has no process to remove the user accounts for these contractors timely, even though the contractor communicated that the employees were no longer working on the Crossroads project. In some cases, the contractors' Commonwealth of Virginia (COV) accounts with the Virginia Information Technologies Agency were terminated, but their access to Crossroads was not terminated. Due to the nature of the contractors'

accounts in Crossroads, the deletion of the COV account did not prevent access to the Crossroads system.

Health should consider all accounts, including those of contractors, in system access reviews for all systems. Health should also consider requiring all system contractors to maintain a COV network account in order to access the Crossroads system, and link their Crossroads account to the active COV network account. Health should also prohibit the use of shared accounts on all information technology (IT) systems. In addition Health should implement a method for reviewing the activities of contractors with administrator access.

*Management Plan for Corrective Action for Department of Health*

*Family Health Services has already developed a policy that requires all new access to the system to require a COV account that is assigned by VITA. The accounts noted in this recommendation were created as external accounts prior to the implementation of the COV requirement. Family Health Services will work with its developer to disable these external accounts and create new accounts for these individuals so that all developer accounts are linked to an active COV network account.*

*Family Health Services will require the developer to notify VDH of employee terminations as soon as possible and no more than one business day after their termination date. Family Health Services will disable these accounts within one business day of being notified by the developer. Family Health Services will consider all contractor accounts in its monthly system access review.*

*Health does prohibit the use of shared accounts on all of its IT systems. Contractual language that requires its partners to adhere to all current COV Information Security standards also prohibits the use of shared accounts. In order to better ensure that the system developer is adhering to this language, Family Health Services will encourage its federal and state partners to require the developer to have an appropriate review of its internal controls.*

*Responsible Party: Mike Welch, Director of Community Nutrition*

*Estimated Completion Date: June 30, 2015*

## **2014-037: Improve User Access Controls for ROAP System**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Child and Adult Care Food Program - 10.558

**Federal Award Number and Year:** 1VA300399 (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health is not adequately managing access to their Regional Office Administered Program (ROAP) system used to submit claims for reimbursement for the CFDA #10.558 Child and Adult Care Feeding Program (CACFP). Currently, Health does not obtain the termination of access request forms for employees who have separated from the agency, and does not terminate access for separated users timely. Health uses a spreadsheet user log as a master list of users to ROAP. This log does not contain all end users and does not have the correct level of permission documented for some users.

Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), AC-2 and AC-2-COV Account Management, detail the need for managing information system accounts. These standards include, but are not limited to, deactivating accounts of separated users in a timely manner and granting access to the system based on: (i) a valid access authorization; (ii) intended system usage; and (iii) other attributes as required by the organization or associated missions/business functions.

Monitoring system access with an inaccurate listing of system users impairs Health's ability to properly monitor user access, increasing the risk of unauthorized transactions within the ROAP system. ROAP is a web-based system, and terminated users can access the application from outside the agency after separation. Also, management does not perform a review of transactions in the system to ensure that separated employees are not engaging in unauthorized transactions.

Health has not fully complied with their corrective action plan formulated in response to the ROAP access finding in the prior year. User access management policies and processes remain insufficient to properly manage access to the ROAP system.

Health should implement user access controls to remove user access timely after separation or termination from the CACFP program. Health should also ensure that an accurate listing of user access is used when monitoring access.

### *Management Plan for Corrective Action for Department of Health*

*The Division of Community Nutrition (DCN) concurs that the termination of access forms for users were not being completed. Instead, e-mails from Program Manager were the basis for termination. In addition, we recognize that the Division did not maintain copies of these emails. The Division will now maintain both emails and user*

*forms, and will continue to monitor access to ROAP on a monthly basis. The division will deactivate unused accounts after 30 days. In addition, the Division will add a report of all users, their access level, and last log-in to allow for improved system monitoring. Corrective actions will be implemented by March 31, 2015.*

*Responsible Party: Mike Welch, Director, Division of Community Nutrition*

*Estimated Completion Date: March 31, 2015*

## **2014-038: Improve Access Management to Information Systems**

*Applicable To: Department of Health*

### **Type of Finding:** Internal Control and Compliance

Health is not properly managing user access to the Personnel Management Information System, Commonwealth Integrated Payroll Personnel System, Health's internal Finance and Accounting system, and WebVision, a system used to manage healthcare services at local health districts. Across these systems, we found a variety of issues in the proper granting of access, recordkeeping, timely termination of access for separated users, and in monitoring access to the systems on a regular basis.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard) requires a formal, documented access control policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and formal, documented procedures to facilitate the implementation of the access control policy and associated access controls.

Insufficient access management increases the risk of unauthorized access to agency systems, which could allow for improper transactions and unreasonable access to agency data.

The management of access to Health's information systems is highly decentralized, and the processes and policies surrounding access management vary between each business unit and system. Recordkeeping is also highly decentralized, and though system security guidance is provided by the central Office of Information Management, the business units also develop their own policies and processes for managing security to their applications.

The process for removing access to systems upon employee separation is also inconsistently applied across the agency. Some major systems are included on a checklist that is a part of the standard employee separation process managed by the Office of Human Resources, whereas other systems are not included. Our testwork indicates that the Office of Information Management does not have sufficient processes to manage access to all systems agency-wide, yet the business units do not have sufficient processes or training to manage access independently.

Health should perform an agency-wide risk assessment of its approach to managing access to its information systems. Health should then determine what additional controls, processes, and resources are required to mitigate the current risks. Health should then communicate these changes to all agency employees responsible for information system management, provide appropriate training, and monitor this implementation to ensure controls are working properly.

Management Plan for Corrective Action for Department of Health

*VDH is engaged in a quality improvement initiative to both streamline and improve its processes associated with granting and revoking system access as well as tracking employee asset inventory.*

- 1. Short Term Action - VDH will implement an internal review process to verify appropriate access to its respective systems. This process, conducted on a quarterly basis will compare current payroll / employee datasets against each systems approved users. Any employees or staff no longer employed by VDH will be immediately removed from the system. This review will begin during the 3rd quarter of FY15.*
- 2. Long Term Action – VDH will develop an employee user profile system to centralize, consolidate and streamline processes associated with granting system access, revoking system access, tracking physical assets assigned to the employee and tracking systems the employee has been granted access to. This comprehensive process and system development is expected to be complete by the end of FY16.*

*Responsible Party: Joshua Czarda, Operations Director – Performance Improvement  
Wes Kleene, Information Security Officer*

*Estimated Completion Date: June 30, 2016*

**2014-039: Improve Access Reviews of the Medicaid Management Information System**

*Applicable To: Department of Medical Assistance Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** 1405VA5MAP, 1405VA5ADM (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Medical Assistance Services has not updated the Interagency Agreement with the Department of Social Services (Social Services) to require Social Services to perform an annual review

of their Medicaid Management Information System users. Additionally, Medical Assistance Services' annual review of the Medicaid Management Information Systems' users continue to only include employees who are newly hired, separated, or transferred. Their review of access does not include current Medical Assistance Services employees who have not changed positions.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), Section 8.1 AC-2(j), requires that agencies review user accounts and privileges annually.

The Medicaid Management Information System is used to update Medicaid eligibility information and it is used to process Medicaid claims that total approximately \$8 billion annually. Without reviewing user accounts and privileges annually, Medical Assistance Services and Social Services cannot confirm that user access is current and reasonable based on the user's job responsibilities. This increases the risk of unauthorized users being able to access and make changes to protected health and financial information within the system.

Medical Assistance Services' Policy Division has not updated the Interagency Agreement to include a requirement for Social Services to review Medicaid Management Information System access. Additionally, Medical Assistance Services has not expanded their annual review of Medicaid Management Information Systems users because they are still in the process of evaluating software that will allow them to automate the process.

Even though access to the Medicaid Management Information System is suspended for inactive users, we recommend that Medical Assistance Services' Policy Division update the Interagency Agreement with Social Services to include an annual review of their Medicaid Management Information System users. Additionally, Medical Assistance Services should include all of their Medicaid Management Information System users in their annual review of access. Together, both of these actions will enable Medical Assistance Services, the system owner, ensure that user accounts and privileges are current and reasonable for the Medicaid Management Information System.

#### *Management Plan for Corrective Action for Department of Medical Assistance Services*

*As part of its agreement process, DMAS will update/modify the Interagency Agreement with the Department of Social Services to reflect the Medicaid Management Information System (MMIS) annual user review. The Policy and Research Division has developed proposed modification language to the Interagency Agreement. The Policy Division expects the Interagency Agreement to be modified by March 31, 2015.*

*Additionally, DMAS will conduct an annual review for its MMIS users.*

*DMAS will develop some type of automated process to provide system owners and/or employee managers a user listing with assigned privileges for annual review, and document resulting annual reviews for its MMIS system.*

*This effort is dependent upon the purchase and implementation of an automated tool such as a workflow product to assist in providing tools for System Owner and Data Owner reviews to occur more routinely on a documented basis.*

*Information Management (IM) Division is exploring other options at this time, to determine if existing DMAS-owned COTS products may satisfy this review requirement. Even if this is so, there is still a development period that must occur.*

*Controls Implemented*

*DMAS suspends MMIS user accounts as soon as notified, or when a 30 day period of inactivity occurs, automated account suspension occurs. Deletes occur in a timely basis.*

*DMAS suspends other user accounts for DMAS systems upon notification. Deletions occur in a timely basis.*

*Responsible Party: Mukundan Srinivasan, DMAS Information Management Division Director; Brian McCormick, Policy and Research Division Director; Theresa Fleming, DMAS Information Security Officer, Office of Compliance and Security, Information Management Division*

*Estimated Completion Date: December 31, 2015*

**2014-040: Create Formal Documentation that Facilitates Controlling Privileges in the Medicaid Management Information System**

*Applicable To: Department of Medical Assistance Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** 1405VA5MAP, 1405VA5ADM (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Medical Assistance Services does not have documentation that facilitates system owners and supervisors in evaluating and approving privileges in the Medicaid Management Information System. As a result of the lack of documentation, supervisors are instructing the Information Security Officer (ISO) on the privileges each employee should have; however, supervisors are not provided a detailed description of the screens and transactions the employee will be able to view and change. Supervisors need this information to facilitate an appropriate evaluation of the employee's system access. Additionally, system owners have not documented the combinations of privileges that create an internal control weakness. Without system owners documenting which privileges create a

weakness, the Information Security Officer cannot question the appropriateness of the privileges a supervisor approves for an employee.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), AC-1 Access Control Policy and Procedures, requires agencies to develop, disseminate, and review/update annually, formal documented procedures to facilitate the implementation of the access control policy and associated access controls.

The Medical Assistance Services User Acknowledgement and Responsibilities Agreement for the Medicaid Management Information System requires that the authorizing (requesting) supervisor only request privileges that the employee needs to perform their job duties and tasks.

Two of the eleven employees tested, 18 percent, had privileges within the Medicaid Management Information System application that they did not need to perform their job duties. The authorizing and granting of this access by the supervisor and the ISO, respectively, violates the principle of least privileges and creates an internal control weakness within the application that could result in fraud or errors.

According to management, they did not have the resources and staff to devote time to document and define all the privileges that are controlled through access clusters in the Medicaid Management Information System. However, management has since hired a Documentation Specialist to document the privileges within the Medicaid Management Information System.

In addition to continuing to document the privileges in the Medicaid Management Information System, management should:

- Require system owners to document privilege combinations that create an internal control weakness, which could be done by developing a conflict matrix.
- Require system owners to provide supervisors and the Information Security Officer documentation that facilitates them in evaluating current access and future requests.
- Require system owners to train supervisors on the different privileges they are allowed to request.

*Management Plan for Corrective Action for Department of Medical Assistance Services*

*DMAS will conduct an annual review for its MMIS users which will include user listing and transaction assignment listing for review.*

*DMAS will develop some type of automated process to provide system owners and/or employee managers a user listing with assigned privileges for annual review, and document resulting annual reviews for its MMIS system.*

*This effort is dependent upon the purchase and implementation of an automated tool such as a workflow product to assist in providing tools for System Owner and Data Owner reviews to occur more routinely on a documented basis.*

*Information Management (IM) Division is exploring other options at this time, to determine if existing DMAS-owned COTS products may satisfy this review requirement. Even if this is so, there is still a development period that must occur.*

*Responsible Party: Mukundan Srinivasan, DMAS Information Management Division Director; Theresa Fleming, DMAS Information Security Officer, Office of Compliance and Security, Information Management Division*

*Estimated Completion Date: December 31, 2015*

**2014-041: Strengthen Financial System Application Access**

*Applicable To: Department of Medical Assistance Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** 1405VA5MAP, 1405VA5ADM (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Medical Assistance Services is using the default roles and responsibilities instead of configuring the system based on the needs of the system users. In addition, Medical Assistance Services is not consistently reviewing audit records; and not documenting access roles and responsibilities in a way that allows managers to evaluate if their employees have the correct level of access, nor has it documented conflicting modules or responsibilities that could be used to override separation of duties controls.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard):

1. Section 8.5. CM-7 requires organizations to configure the information system to provide only the essential capabilities required for the business function of the information system;
2. Section 8.3 AU-6 requires organizations to review and analyze information system audit records at least every thirty days for indications of inappropriate or unusual activity; and
3. Section 8.1 AC-2(b) and (c) requires that access privileges be specified and conditions for group membership be established.

Because Medical Assistance Services did not modify the default roles and responsibilities, the fiscal services administrator responsible for user account management had roles and responsibilities that were not required for his job responsibilities. Furthermore, because there is no understanding of the default roles and responsibilities and no documentation of the access roles and responsibilities, incorrect access was assigned and was subsequently approved by management during the annual review of access.

In addition, Inconsistent reviews of audit records by Medical Assistance Services may result in inappropriate or unusual activity going undetected by management. Finally, without documenting conflicting modules and roles and providing that documentation to the managers requesting and reviewing access, Medical Assistance Services risks granting access that could create a separation of duties issue. Because the system interfaces directly with the Commonwealth Accounting and Reporting Systems, the Commonwealth's official financial record, weak internal controls could question the integrity of the Commonwealth's financial records.

Medical Assistance Services elected to use the default settings established by the vendor and did not reconfigure the system based on their needs. Furthermore, the system administrators did not know how to reconfigure the fiscal services administrator's role.

Additionally, Medical Assistance Services has not implemented a policy to review the audit records according to the Security Standard requirement, nor is there a policy to document the access roles and responsibilities or the conflicting modules or responsibilities. Finally, management has been using their general knowledge of the roles as they have been requesting and reviewing access.

We recommend that Medical Assistance Services' management gain an understanding of the roles and responsibilities for all default settings and adhere to the Security Standard and reconfigure default setting based on the user's needs. Furthermore, we recommend that Medical Assistance Services, implement a process to review audit records every thirty days and have an individual independent from the System Administrator review the audit records. Finally, Medical Assistance Services should document the access roles and responsibilities and conflicts in a way that will allow managers to adequately evaluate if access is reasonable and provides proper separation of duties surrounding fiscal transactions.

#### *Management Plan for Corrective Action for Department of Medical Assistance Services*

- 1. The Fiscal Division will examine existing staffing roles and needs of our division and the agency, re-evaluate the respective responsibilities assigned in the Financial System Application and redefine those requiring more restrictions to functions and/or menus in the Financial Systems applications modules currently in use.*

*We addressed the fiscal services administrator's role by designing a new role called DMAS\_FISCAL\_ADMIN, which provides the minimum access needed to provision*

*user accounts. We have revoked the financial services administrator's access to the SYSADMIN role.*

- 2. A new application has been created to review the application access logs and the SYSADMIN logs are now sent to the DBA Manager and the ISO (Security Help email id) on a monthly basis.*
- 3. The Fiscal Division will document the capabilities of each responsibility in use and any potential conflicts with other modules and/or responsibilities.*

*Responsible Party: Mukundan Srinivasan, DMAS Information Management Division Director; Karen Stephenson, DMAS Fiscal Division Director; Theresa Fleming, DMAS Information Security Officer, Office of Compliance and Security, Information Management Division*

*Estimated Completion Date: June 30, 2015*

**2014-042: Confirm that Application Access is Appropriate**

*Applicable To: Department of Medical Assistance Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** 1405VA5MAP, 1405VA5ADM (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Medical Assistance Services did not remove access to the Commonwealth Accounting and Reporting System (CARS) and the 1099 Adjustment and Reporting Systems (ARS) for individuals who no longer needed access. One individual retained CARS access for 64 business days after termination, while ten individuals retained access to either CARS or ARS when it was no longer needed for their job responsibilities. We were unable to determine how long these individuals retained access when it was not needed.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), AC-6 and AC-2-COV, states that access should be granted based on the principle of least privilege and be promptly removed when no longer required. Furthermore, the CAPP Manual states that the each agency's CARS Security Officer (CSO) is responsible for a comprehensive system of internal controls over CARS tables and files.

Allowing users to retain access to CARS and ARS when it is no longer needed increases the risk of unauthorized transactions in these systems.

The CSO did not confirm with supervisors whether individuals still required CARS and ARS access. Furthermore, the CSO did not confirm that the Department of Accounts deleted access for the terminated employee.

The CSO's semi-annual review process should include verifying, with the individual's supervisor, whether CARS and ARS access is still needed. In addition, the CSO should implement a process to confirm that access is deleted based on the request made to the Department of Accounts.

*Management Plan for Corrective Action for Department of Medical Assistance Services*

*The Fiscal Division will establish a new semiannual review process to assess CARS and ARS accesses.*

*On a semiannual basis beginning SFY 2015, the Fiscal Systems Administrator (CSO) will provide respective Managers with a list of their staff and the corresponding CARS and/or ARS accesses. Managers will be required to review and certify that the access is still appropriate based on the current role and responsibilities of the employee. All employees with access to CARS and/or ARS will be included in this review and certification process.*

*Responsible Party: Mukundan Srinivasan, DMAS Information Management Division Director; Karen Stephenson, DMAS Fiscal Division Director; Theresa Fleming, DMAS Information Security Officer, Office of Compliance and Security, Information Management Division*

*Estimated Completion Date: May 31, 2015*

**2014-043: Enhance Performance Budgeting System Access Reviews**

*Applicable To: Department of Planning and Budget*

**Type of Finding:** Internal Control and Compliance

DPB does not consistently perform, track or complete adequate follow-up of periodic Performance Budgeting (PB) system access reviews to ensure that agency access permissions remain appropriate over time as employees change positions and responsibilities at the agency level. Additionally, DPB does not have formal, documented policies that require or describe the procedures that take place during the system access review process. DPB's lack of adequate access controls over the PB system increases the risk of agency employees with inappropriate access.

Section 8.3 of the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard) requires agencies to develop, disseminate, and review system access at least annually. The Security Standard also requires formal, documented procedures to facilitate the implementation

of the review. Further, the Security Standard requires reviews of information systems be tracked to accurately demonstrate account creation, disabling and termination actions taken. DPB's lack of adherence to the applicable portions of the Security Standard for system owners increases the risk of agency employees with inappropriate access.

Currently, DPB performs an annual review of PB system access, which involves contacting agency administrators and requesting that agency administrators review users as listed in the PB system. DPB requests that administrators only respond if the administrator identifies accounts that should be disabled. DPB's review does not require administrators to review access to ensure access privileges held are still reasonable for employees' based on their current job responsibilities, nor does it require administrators to certify the reasonableness of agency access if there are no changes that need to be made. For agencies that respond to DPB with accounts to disable, DPB maintains the email signifying that an agency requested an access change. DPB's current process does not incorporate a mechanism for determining that all changes requested by the agencies are actually performed in a timely manner.

While we recognize that PB system transactions do not have an immediate impact on financial information as recorded in the Commonwealth's accounting system, based on the required levels of approval, system owners still have minimal requirements to which they should adhere as outlined in the Security Standard. We recommend that DPB develop and adhere to policies surrounding their annual review of PB system access at the agency level. The policies at a minimum should require agencies to provide positive confirmation that all access levels held by agency employees are reasonable and necessary for the employee to perform current job responsibilities. DPB should also assess the number of agency administrators assigned to each agency to determine if it is reasonable based on the size and nature of the agency. Lastly, DPB should ensure their review process is accurately tracked, to easily identify unresponsive agencies and to demonstrate that their review process is complete and being performed in a timely manner.

*Management Plan for Corrective Action for Department of Planning and Budget*

*While I (Dan Timberlake) appreciate the acknowledgement in your recommendation that PB system transactions do not impact the Commonwealth's Accounting System until several layers of review and approval have taken place at DPB, I am concerned that your recommendations do not adequately reflect the current safeguards that exist in this system. The PB financial system is a means to allow agencies to request budget execution actions and budget amendments. In the November meeting and in information provided by my staff as part of the audit, DPB indicated that no transaction entered into the PB system is processed until an internal review is undertaken at this agency. Depending upon the nature of the transaction, that review could involve multiple layers and could even require my review and approval. No transaction is approved in the PB system until it undergoes this process, which includes validating the identity of the individual(s) at a state agency who enter and review a transaction in the PB system.*

*System safeguards also exist through limiting the actions that a state agency user is able to perform. For state agency users, the PB system acts as a “portal” for submitting budget requests. The PB system functions much like a website for soliciting public requests; however, since the requests are from state agencies, DPB allows state agencies to determine the personnel who should access this system and the degree to which access should be limited. The risk of misuse is no greater than the risk that would exist if DPB received such requests as paper submissions. Therefore, the current procedures in place for the PB system inherently mitigate opportunities for misuse of the system by state agency personnel.*

*In response to this management recommendation, DPB will revise its annual review process related to PB system access to incorporate the following: 1) positive confirmation that all agency access continues to be appropriate and necessary; 2) an internal review process to assess the number of agency administrators in relation to the size and nature of the agency; and 3) an annual review process that identifies any unresponsive agencies. The development plan for this finding will have a completion date of August 31, 2015. Please note that any system changes needed to address this finding must be implemented with existing resources.*

*Responsible Party: Michelle Vucci, Administrative Services Manager*

*Estimated Completion Date: August 31, 2015*

**2014-044: Improve Internal Controls Over System Access**

*Applicable To: Department of Planning and Budget*

**Type of Finding:** Internal Control and Compliance

The Department of Planning and Budget (DPB) does not have adequate policies and procedures for granting and deleting agency user access in the Performance Budgeting (PB) system. Additionally, DPB does not provide detailed guidance to agency administrators on the specific capabilities of user roles within the PB system. DPB’s lack of adequate access controls over the PB system increases the risk of agency employees with inappropriate access.

Section 8.1 of the Commonwealth’s Information Security Standard, SEC 501-08 (Security Standard), requires formal, documented policies and procedures to implement account management practices for requesting, granting, administering, and terminating user accounts. Further, that section of the standard requires the granting of users’ access on the principle of least privilege.

DPB currently has an informal process of granting and deleting user access in the PB system, which consists of email correspondence between DPB and the requesting agency. DPB has not

established specific policies to direct how the process should work. Additionally, agency administrators, who maintain the authority to determine who and what level of access their employees can obtain, have not been provided up-to-date PB system policies that clearly delineate user capabilities at the user role level, which are module specific. DPB has not provided sufficient guidance to allow agency administrators to determine if permission is being granted based on what's minimally required to accomplish assigned tasks.

To decrease the risk of inappropriate PB system access and enhance overall system access controls, we recommend that DPB develop and adhere to policies for granting and disabling PB system user access. While we recognize that PB system transactions do not have an immediate impact on financial information as recorded in the Commonwealth's accounting system, based on the required levels of approval, system owners still have minimal requirements to which they should adhere as outlined in the Security Standard. DPB should provide reference material that includes descriptions of user role capabilities within each module to all agency administrators to ensure access is being granted based on the principle of least privilege at the agency level.

*Management Plan for Corrective Action for Department of Planning and Budget*

*DPB recognizes that opportunities exist to document current policies related to the Performance Budgeting (PB) system, and we will enhance and supplement the direction provided to state agencies. In response to your recommendations and to discussions that took place during the audit, DPB is also actively working with the Virginia Information Technology Agency (VITA) and with other finance agencies to find cost-efficient options that will address the Commonwealth's Security Standard.*

*In response to this management recommendation, DPB will ensure that formal policies and procedures are prepared and updated and state agencies will be provided with information regarding use role capabilities within the PB system. The development plan for this finding will be completed no later than October 31, 2015.*

*Responsible Party: Michelle Vucci, Administrative Services Manager*

*Estimated Completion Date: October 31, 2015*

## **2014-045: Monitor Actions of Employees Granted Temporary Access in FAAS**

*Applicable To: Department of Social Services*

### **Type of Finding: Internal Control and Compliance**

Social Services does not have a mechanism in place to actively monitor transactions of employees in the Accounts Payable Division that are temporarily granted additional access within the Financial Accounting Analysis System (FAAS). Temporary access is not included as part of an employee's normal job duties, and can cause a conflict with the structure of internal controls normally maintained within the Accounts Payable Division.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), Section 8.1, AC2-Account Management, part f., states that agencies should specifically authorize and monitor the use of guest or anonymous and temporary accounts.

Without effective monitoring of users with temporary access, Social Services cannot provide assurance that transactions processed, during the period which temporary privileges were granted, are properly authorized or not entered and approved by the same employee. For example, an employee that is normally authorized to create vendors within FAAS may be able to also initiate payments to vendors they create during a period of temporary access.

Temporary access is generally given when there is a staffing shortage for a short period of time and invoices must be keyed or approved within a certain time frame to maintain reasonable business flow. Social Services has established some controls over this access, as temporary access is end-dated in the system, and a paper file of any unusual or temporary requests is maintained to ensure that the temporary access is immediately removed when the access is no longer needed.

The Accounts Payable Division should coordinate with the financial systems team to ensure that temporary access is monitored appropriately and adequate compensating controls are in place during the periods when temporary access is necessary. The creation of some type of mechanism to monitor the use of temporary access will allow Social Services to further ensure that no unauthorized or inappropriate transactions occurred as a result of the granting of temporary access.

### **Management Plan for Corrective Action for Department of Social Services**

*The systematic control over access is maintained at the Responsibility level in FAAS. Financial Systems requires management approval for exceptions to the normal process to grant access as well as to restrict access during the exception period.*

*A form will be created to request temporary access(s) that will specify any access(s) that should be granted and specify ones to be restricted. All exceptions to access that are a conflict will need justification and approval by designated management before changing.*

*General Accounting will use the new form for requesting temporary access and document manually requested temporary access and duration during the year.*

*General Accounting will be required to monitor actions of individual staff when conflicting responsibilities have been assigned off and on for any period.*

*The DSS financial systems group will also evaluate the possibility and impact of implementing audit logging.*

*Responsible Party: Mike Gump, Chief Financial Officer*

*Estimated Completion Date: New forms and procedures will be created by March 31, 2015. Evaluation and analysis of the impact of audit logging will be completed by June 30, 2015.*

**2014-046: Review User Accounts and Privileges for Mission Critical Systems**

*Applicable To: Department of Social Services*

**Federal Program Name and CFDA#:** Low-Income Home Energy Assistance - 93.568

**Federal Award Number and Year:** 14B1VALIEA (2014)

**Compliance Requirement:** Other - OMB Circular A-133 §\_\_.300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Management at Social Services is not annually reviewing user accounts and privileges for reasonableness as required. We found that management did not conduct an annual review of access for two of its mission critical systems.

The Commonwealth's Information Security Standard, SEC 501-07.1 (Security Standard), Section 8.1.AC-2(j), requires that agencies review user accounts and privileges annually.

Social Services uses Automated Program to Enforce Child Support (APECS) to manage the Child Support Enforcement Program and the Energy Assistance System (EAS) to manage the Low Income Household Energy Assistance Program. Without reviewing user accounts and privileges annually, Social Services' management cannot make the assertion that user access is current and reasonable based on the user's job responsibilities. In effect, this increases Social Services' risk of unauthorized transactions taking place within these systems.

Social Services has not performed annual access reviews for several of its mission critical systems because it lacks a process that communicates user access privilege listings and review responsibilities. Management is in the process of developing an automated process to facilitate their

reviews, which is taking longer to implement than the estimated completion date of July 31, 2014, that was provided during the prior year audit.

Social Services should develop a mechanism to supply system owners and managers with a listing of user accounts and their privileges. Social Services should also develop a plan to ensure an annual review of all mission critical systems. By meeting this requirement of the Security Standard, Social Services will be able to ensure that user accounts and privileges are current and reasonable.

*Management Plan for Corrective Action for Department of Social Services*

*Efforts are underway to move all Mission Critical systems Security controls under the agency CISO and incorporate them into the agency's Security Access Management System (SAMS) or move the operational control of the security component to the CISO, with a few exceptions that are not experiencing review problems. All new RFPs for systems upgrade and replacement are required to be incorporated into SAMS so as older systems like ADAPT, RMS are replaced by VaCMS or yet to be issued contracts tools are incorporated to help automate the review of accounts.*

*Responsible Party: Matt Teasdale, Chief Information Security Officer*

*Estimated Completion Date: June, 30 2015 for OASIS and APECS. Other systems as they are implemented.*

**2014-047: Improve Controls Over Cardinal Security**

*Applicable To: Department of Accounts*

**Type of Finding:** Internal Control and Compliance

The Department of Accounts Cardinal Team is not properly managing access to the Cardinal system. During our review, we noted the following:

- 61 employees with access to Cardinal who did not log on during the entire fiscal year 2014, indicating they are dormant users and potentially no longer require access.
- Several instances of self-approved journal entries, indicating that users have access to both enter and approve the same transactions.

The Commonwealth's Information Security Standard, SEC 501-08, AC-2-COV, Part B, instructs all agencies: "For all internal and external IT systems, disable unneeded accounts in a timely manner." Also, having dormant accounts for an extended period of time goes against industry best practices. Further, instances of self-approved transactions represent violations of proper separation of duties.

The Cardinal Team has a process for regularly monitoring system access. However, this process does not include a review of dormant accounts. Not removing access on dormant accounts

increases the risk of unauthorized transactions and could impact the integrity of the Commonwealth's financial systems.

The Cardinal Team allows users to both enter and approve journal entries because some individuals are serving dual roles as backups for other individuals. Transactions that are entered and approved by the same individual are reviewed periodically; however, since this may be well after the transaction has occurred there is still the risk that improper transactions can occur. Although a physical approval may take place outside the system for these transactions, this does not ensure proper entry into the accounting system prior to entry.

The Cardinal Team should enhance their management of access by including a review of dormant accounts in the regular system access monitoring. In addition, the Cardinal Team should consider removing the ability to both enter and approve journal entries from users, as generally a preventative control is more effective than the current detective control.

*Management Plan for Corrective Action for Department of Accounts*

*The Department of Accounts (Accounts) recognizes the need to suspend access for dormant users in Cardinal. Accounts will implement a process to both identify and suspend access once a user account has been dormant for 90 days.*

*Accounts agrees that there are instances in Cardinal where the same individual user can both enter and approve the same transaction. However, this capability, as developed and built by the software provider, is limited only to adjusting journal entries in the journal module. Accounts is extremely disciplined with regard to customizations to the delivered software in order to reduce the risk and cost associated with the implementation of planned software upgrades in the future. It should be noted that this security capability is not available in any of the modules that result in a disbursement of cash from the state treasury. All transactions resulting in the disbursement of cash have the delivered systemic control of not allowing the same individual to both enter and approve the transactions. Accounts acknowledges that allowing the same individual user to both enter and approve a financial transaction is not consistent with general best practices surrounding system security. However, given that this capability is restricted to adjusting journal entries, Accounts believes the risk is very limited and can be effectively mitigated by the reconciliations performed by agencies and by utilizing the available process to specifically identify and monitor adjusting journal entries entered and released by the same individual user timely. Accounts will implement this specific identification and monitoring process immediately.*

*Responsible Party: Richard Salkeld, Director and AITR of Information Technology  
Melinda Pearson, Director of General Accounting*

*Estimated Completion Date: On-going – due to the inherent risk associated with the delivered software, continual evaluation is required.*

**2014-048: Improve Controls Over Systems Access**

*Applicable To: Dept. of Behavioral Health and Developmental Services*

**Type of Finding:** Internal Control and Compliance

Individual facilities within DBHDS do not have adequate controls in place to ensure system access is appropriate in Kronos (HR and Payroll System), Personnel Management Information System (PMIS), Financial Management System (FMS), Lease Accounting System (LAS), Fixed Assets Accounting System (FAACS), AVATAR (state hospital database), and Commonwealth Accounting and Reporting System (CARS). Specifically:

- Five out of seven systems at nine facilities and the Central Office had employees whose access was not removed timely;
- Two out of seven systems at two facilities had missing and inaccurate user access forms for employee access; and
- Two out of seven systems at three facilities did not have user access forms with proper approval.

The Commonwealth's Information Security Standard, SEC 501-08 (Security Standard), AC-2-COV, 2.e-h, requires the prompt removal of system access for terminated or transferred employees. The Security Standard, AC-2- COV, 2 i, requires granting access to the system based on a valid access authorization. In addition, the Security Standard, AC-2- COV, 2.c-d, requires appropriate approvals for requests to establish accounts.

Untimely removal, missing and inaccurate forms, and missing approval of user access increases the risk of unauthorized individuals inappropriately entering or approving transactions and could affect the integrity of DBHDS transactions in the system.

DBHDS does not have adequate policies and procedures over granting, changing, and terminating system access. Specifically, policies and procedures lack the guidance on timeframes and contacts for removal of access.

Management should create, communicate, and implement policies and procedures over granting, changing, and terminating access for all systems at all DBHDS facilities and the Central Office.

Management Plan for Corrective Action for Dept. of Behavioral Health and Developmental Services

*The Department concurs with this finding. A notification process was put in place at DBHDS in FY 2014 to cover access controls at Central Office. This notification process, along with an automated access deletion process, is currently being put in place at all of the DBHDS facilities. The Department takes seriously the need to have strong systems controls, and this issue is being addressed. To help ensure the successful implementation of this response, systems access will continue to be monitored by the DBHDS Office of Internal Audit and the DBHDS Information Security Officer.*

*Responsible Party: Randy Sherrod, Director of Internal Audit; Marcie Stidham-Stout, Chief Information Security Officer*

*Estimated Completion Date: June 30, 2015*

**2014-049: Improve Termination Procedures Supporting Timely Removal of Commonwealth Systems' Access**

*Applicable To: Department of Motor Vehicles*

**Type of Finding:** Internal Control and Compliance

Motor Vehicles termination procedures do not ensure that management promptly requests the removal of terminated employee's access to Commonwealth systems, specifically the Department of Human Resource Management's Personnel Management Information System (PMIS) and the Department of Account's Commonwealth Integrated Payroll and Personnel System (CIPPS). As a result, two terminated employees retained access to these systems between two and one half and six and one half months after their separation dates.

Motor Vehicles current termination procedures address the removal of network access, which in effect removes access to all internally maintained systems. However, termination of system access for systems external to Motor Vehicles, such as CIPPS and PMIS, lies with the security administrator for that particular system and is dependent on the terminated employee's supervisor making the request for their access to be removed. There is no form or process in place prompting the supervisor to make this request, leading to the potential for the omission of this termination step.

Commonwealth policies indicate that requests for removal of system access or changes to system access should be made timely, which, based on best practice, generally translates to within one to three days from the change in the users employment status or responsibilities. While the removal of network access eliminates the risk of the separated employee accessing CIPPS and PMIS,

it does not eliminate the risk of other existing employees accessing CIPPS and PMIS through use of the separated employee's active CIPPS and PMIS accounts. Untimely removal of access to these systems could result in Motor Vehicles personnel and payroll data being improperly manipulated without an appropriate audit trail.

Motor Vehicles should review their termination processes surrounding the removal of system access and ensure they include adequate policies and procedures to facilitate the timely request for removal of access to systems that are external to the agency, such as CIPPS and PMIS.

*Management Plan for Corrective Action for Department of Motor Vehicles*

*DMV will ensure timely modification or removal of access when employees are separated from employment at DMV as well as ensure timely modification of access as employee roles and responsibilities change with the DMV Human Resource Office.*

*Quarterly DMV will review access rights to CIPPS and PMIS to ensure they are appropriate based on the employee roles and responsibilities. DMV requests that the APA communicate with DHRM regarding a better way to access PMIS information on a routine basis rather than having to request a special report be run. It would be helpful if it was available on the Agency Repository in HurMan. This would give DMV the ability to review the report on an ongoing basis to ensure timely removal of employees who no longer should have access.*

*Effective January 15, 2015, the agency's System Access Request, SAR-13, was revised to include CIPPS and PMIS as an additional reminder to the Security Administrator.*

*Responsible Party: June Foster, Human Resource Analyst; Jeannie Thorpe, Director of Human Resources*

*Estimated Completion Date: Immediately*

**2014-050: Improve Internal Controls Over Systems Access**

*Applicable To: Department of Taxation*

**Type of Finding:** Internal Control and Compliance

Taxation needs to strengthen its internal controls over systems access to ensure compliance with the Commonwealth's information security requirements. We continue to identify areas where system access controls need to be improved, including the general understanding and documentation that explains Taxation's access structure and controls, granting of system access, and the annual recertification process.

The Commonwealth's Information Security Standard (Security Standard), SEC 501-08, addresses requirements over information system access controls. Section 8.1 AC-5 of the Security Standard addresses access controls and requires the organization to segregate duties of individuals as necessary, to prevent unauthorized activity. Further, Section AC-6 goes on to address the concept of least privilege and requires that an organization use the concept of least privilege when granting access to ensure users only have access which is necessary to accomplish its assigned tasks.

During our audit, we found instances where Taxation granted system access which was not in compliance with these requirements and these are detailed below. Taxation has a complex access structure and we believe these instances are occurring, at least in part, because Taxation is granting access in some instances without a clear understanding of the way the different components of the access structure work together to control access for an individual employee.

Taxation has a number of internal controls in place that compensate for the weaknesses in the access controls and to help to ensure that unauthorized transactions are not processed. We did not find instances where the weaknesses in access controls resulted in unauthorized transactions; however, failure to address these system access issues will continue to expose Taxation's information systems to unnecessary risk and result in noncompliance with information security requirements.

### **Taxation's System Access Structure**

Taxation's access structure for the Advantage Revenue (AR) system, its critical financial reporting system, is granted through a combination of resources groups, access levels, security groups, and workgroups. In order to evaluate access for an individual employee, it is necessary to consider the relationship between each of these components and how this affects the functions available to the employee. Taxation also has established several special workgroups, commonly referred to as supervisor accounts, which enable a user to access transactions assigned to another user. These supervisor accounts were originally designed to facilitate backups in the event of an employee's absence.

Although Taxation has developed additional documentation on its access structure since our last audit, it remains very difficult to understand the relationships between the various components to fully understand and evaluate the access an individual employee has been granted. The difficulty is due to a lack of documentation as well as a lack of a system wide understanding. Currently, employees who manage security group and workgroup access report to two different supervisors. This organizational structure, in combination with a lack of adequate documentation, makes it difficult for each area to fully understand how different components of the access structure work together when access is granted for an individual employee. As result, we believe these issues are a significant factor in the instances of the inappropriate systems access discussed in this finding.

### **SAFE and the Recertification Process**

Taxation uses the System Access for Employees (SAFE) tool to document, monitor, and track all types of user access from physical building access to information systems access. While SAFE is

Taxation's system for managing employee access, we have some concerns about the completeness and accuracy of the information in SAFE.

We reviewed information from SAFE in conjunction with system access tables to gain an understanding of and review employee access capabilities for AR. We found instances where certain types of access were not recorded in SAFE, as well as instances where the information in SAFE was not accurate. Taxation does not reconcile the information in SAFE to the actual AR access in the access tables; therefore, information in SAFE may not be an accurate representation of the system access and discrepancies between actual access and documented access will not be identified.

We selected a sample of users with access to REV1, a workgroup which controls journal vouchers pending approval. REV1 access was not documented in SAFE for ten of the 21 (48 percent) users. In addition, we found that SAFE does not include employee access to supervisor accounts. As a result, for 15 of 22 (68 percent) users selected, the employee's manager was not aware the user had access to some of the supervisor accounts.

The lack of accurate information in SAFE impacts the effectiveness of Taxation's annual recertification process. Section AC-2 of the Security Standard requires that agencies perform an annual recertification of system access. During the recertification, Taxation managers review system access information in SAFE to ensure that users have appropriate access granted on the principle of least privilege. The lack of accurate information in SAFE can prevent managers from identifying and correcting instances of inappropriate access during the annual recertification process or other periodic reviews.

We reported on additional concerns with the annual recertification review in our previous audit. Last year, we found situations where managers recertified inappropriate access for their employees. To address this, Taxation provided additional information on security groups and workgroups to managers during the most recent recertification review in October 2014. We reviewed the information and found that while Taxation provided additional information to help managers better understand the process, this information was not presented in a manner that would give the managers a complete understanding of what functions their employees are capable of performing. As a result, it is questionable how effective the additional guidance was in improving the recertification process.

### **Segregation of Duties and Access Issues**

Section AC-5 of the Security Standard requires agencies to enforce segregation of duties through authorized systems access. The current access structure combines some related resources or functions together in resource groups that are assigned to each security group. In some cases, this is creating a lack of segregation of duties issue. One resource group in particular, 'REVACCT', contains 'JVCREATE' and 'JVAPPROV', which allows the user to both create and approve journal vouchers.

We reviewed access for a sample 64 employees with critical access, and found that 25 of the 64 (39 percent) had access to the REVACCT resource group and the REV1 workgroup. This level of access gives an individual the ability to create, edit, and approve journal vouchers, creating a segregation of duties issue. Of the 25 users with this access, nine users were directly granted this access while 16 users have this access through supervisor accounts which we discussed earlier. Although this access combination creates a segregation of duties issue, Taxation has a compensating control in place to prevent a user from approving a journal voucher that they created. This control, however, does not prevent a user from editing and approving a journal voucher without a secondary approval. We reviewed all journal vouchers approved during the fiscal year and found that 12 were adjusted and approved by the same employee. While the total amount of these adjustments was not material to the agency as a whole, this access combination creates a segregation of duties issue over journal voucher processing and increases the risk of unauthorized transactions.

We also found two users in Taxation's General Legal and Technical Services section with inappropriate access based on their job responsibilities. Both users were able to create abatements and discharges, which can be used reduce a taxpayer's tax liability, and one of the users could also update taxpayer bank account information. One of these instances occurred because the employee transferred from a different section and system access was not properly re-evaluated. Neither of these instances was identified or corrected as part of the recertification process which reinforces our earlier discussion on the ineffectiveness of the recertification process.

### **Recommendations**

We recommend that Taxation strengthen its controls over systems access and ensure that its access structure appropriately enforces segregation of duties to minimize risk and ensure compliance with the Security Standard. We recommend that Taxation complete a reconciliation of critical AR access information in SAFE to the appropriate access tables to ensure the information in SAFE is accurate and complete. As part of this reconciliation, Taxation should ensure that all access granted is documented in SAFE and all access in SAFE has been granted. This will help ensure the accuracy of the information in SAFE going forward.

To further increase the effectiveness of the recertification process, Taxation should continue to help managers understand the access they are recertifying. By illustrating how the additional information should be used as managers review access in the recertification instructions, Taxation will be setting the expectation that the managers should reference the additional information provided as they consider the access they are approving. We also recommend the Office of Technology collaborate with managers from across the agency as they refine the additional information provided to managers to create a more user-friendly and understandable reference tool for the managers.

Additionally, Taxation needs to review system access, especially for critical AR functions, to ensure adherence to the concept of least privilege. As part of the review, Taxation should determine which levels of access create significant segregation of duty conflicts. These conflicts need to be identified so that these can be considered when system access is initially granted and as part of the

annual recertification process. This is an important step to ensure compliance with the Security Standard and minimize risk from unnecessary system access.

It is our understanding that Taxation has begun the process of identifying and purchasing a replacement for SAFE. As part of this process, Taxation should take this opportunity to address the issues discussed in this finding.

*Management Plan for Corrective Action for Department of Taxation*

*It is important to note that the auditor comments acknowledge that compensating controls exist for the identified weaknesses and that no instances of unauthorized transactions were identified. It is also important to note that the journal vouchers noted in the comment, in addition to not being material, do not update the Commonwealth's accounting system and are only a reconciling aid.*

*Those clarifications aside, TAX will initiate the following actions to address the issues noted in the comment:*

- 1. Approvers will no longer edit and approve the same transaction. There is also a compensating control whereby the agency's financial balances are compared to the commonwealth's financial balances.*
- 2. TAX Internal Audit will compare history of critical access capabilities in Advantage Revenue application to critical accesses performed to identify employees with potentially unnecessary access and challenge the employee's access to this capability.*
- 3. Reconcile the user access noted in the system of record to the system of documentation.*
- 4. Revise access documentation for the Advantage Revenue application so that management and employees are better informed of the privileges associated with access levels.*
- 5. Have management recertify that their employee's access is required for current job requirements.*

*Responsible Party: Reggie Williams, Fiscal Director for step 1; Dave Walsh, Internal Audit Director for step 2; and Grayson Walters, Information Security Officer for steps 3, 4 and 5.*

*Estimated Completion Date: September 30, 2015*

## OTHER FEDERAL AWARD FINDINGS WITH FINANCIAL STATEMENT IMPACT

### 2014-051: Account for All WIC EBT Food Instruments and Investigate Errors

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Special Supplemental Nutrition Program for Women, Infants, and Children - 10.557

**Federal Award Number and Year:** 1VA700707 (2014)

**Compliance Requirement:** Special Test and Provisions - 7 CFR §246.19(q)

**Known Questioned Costs:** \$91,957

**Type of Finding:** Internal Control and Compliance

Health is not properly accounting for the disposition of all issued food benefits for the CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The eWIC Electronic Benefit Transfer (EBT) system processes the redemption of food benefits by WIC participants at retailers. After redemption, the details of the transactions are transmitted to the Crossroads grant management system, where the redemptions are matched with benefits that were validly issued by Health. Some of the redemptions that are being transmitted to Crossroads are not being imported properly; therefore, they are not being matched with valid benefit issuances. According to Health, due to the volume of these issues, which represent approximately \$92,000, Health is not currently investigating the individual non-imported transactions. However, Health is still paying the EBT vendor for these transactions.

In order to increase our assurance that these non-reconciling transactions represented valid and allowable benefit issuances, we attempted to obtain a Service Organization Control (SOC) report related to Health's EBT vendor. SOC reports are a type of internal control report that describe the suitability, design, and effectiveness of internal controls that are used at an outsourced service provider. Health relies on its EBT vendor to enforce certain critical controls for the WIC program; however, Health did not have an appropriate SOC report available.

According to 7 CFR §246.19(q) Health must account for the disposition of all food instruments and cash-value vouchers as either issued or voided, and as either redeemed or unredeemed. Redeemed food instruments and cash-value vouchers must be identified as validly issued, lost, stolen, expired, duplicate, or not matching valid enrollment and issuance records. In an EBT system, evidence of matching redeemed food instruments to valid enrollment and issuance records may be satisfied through the linking of the Primary Account Number associated with the electronic transaction to valid enrollment and issuance records. This process must be performed within 120 days of the first valid date for participant use of the food instruments

Additionally, 7 CFR §246(k) requires Health to design and implement a system to review food instruments and cash-value vouchers submitted by vendors for redemption to ensure compliance with the applicable price limitations and to detect questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors. Health must take follow-up action within

120 days of detecting any questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors and must implement procedures to reduce the number of errors when possible.

The redemptions that are paid from the eWIC EBT system that cannot be matched with a valid benefit issuance in the Crossroads system create a reconciling difference between the two systems. Health continues to pay their EBT vendor the full amount of the reported redemptions, even if the amount is not reconciled to a valid benefit issuance in Crossroads. If these redemptions are not ultimately determined to be valid, then the costs are unallowable to the WIC program.

According to 7 CFR §246.23, Food and Nutrition Services (FNS) will establish a claim against any state agency that has not accounted for the disposition of all redeemed food instruments and cash-value vouchers and taken appropriate follow-up action on all redeemed food instruments and cash-value vouchers that cannot be matched against valid enrollment and issuance records, including cases that may involve fraud, unless the state agency has demonstrated to the satisfaction of FNS that it has:

- (i) Made every reasonable effort to comply with this requirement;
- (ii) Identified the reasons for its inability to account for the disposition of each redeemed food instrument or cash-value voucher; and
- (iii) Provided assurances that, to the extent considered necessary by FNS, it will take appropriate actions to improve its procedures.

During fiscal year 2014, Health implemented a new system for managing WIC benefits (Crossroads) and transitioned from paper checks to electronic benefits. According to Health, there are known issues with communication and reconciliation between Crossroads and the eWIC EBT system, some of which have existed since user acceptance testing in fall 2013. Health believes the non-reconciling items are caused by problems with invalid product codes and data loss due to a known service disruption in May 2014. According to Health, they are currently working with their system developers on a system modification that should resolve these issues.

We recommend that Health continue to work with their system developers and test the proposed system modifications that will allow for a complete reconciliation of issued and redeemed benefits. Additionally, Health should investigate all remaining questionable redemptions of benefits, and any benefits that cannot be matched with valid issuance records. Health should also work with the EBT vendor to obtain an SOC report in order to ensure that the controls Health is relying on are working as intended.

*Management Plan for Corrective Action for Department of Health*

*The Office of Family Health Services concurs with this management recommendation and the causes cited above.*

*The Office of Family Health Services will continue to work with its contractors and system developers to ensure that it properly reconciles all issued and redeemed benefits. Once the known issues are resolved, the Office of Family Health Services will work quickly to reconcile and resolve all remaining items. We expect the system modification to be complete by January 31, 2014. The reconciliation of remaining and future variances will continue into perpetuity.*

*The Office of Family Health Services also concurs with the importance of an SOC review. The Office of Family Health Services did reach out to its contractor and has received and reviewed a Level 1 SOC report. The Office of Family Health Services is working with the contractor to determine the necessary contract modifications to request a Level 2 SOC report. We hope to incorporate the requirement for a level 2 SOC report into our contract by June 30, 2015 for all material contractors related to this project.*

*Responsible Party: Stephen Vecchione, Administrative Deputy, OFHS  
Michael Welch, Division of Community Nutrition Director*

*Estimated Completion Date: June 30, 2015*

**2014-052: Record Accurate Time and Effort Reporting**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Special Supplemental Nutrition Program for Women, Infants, and Children - 10.557

**Federal Award Number and Year:** 1VA700707 (2014)

**Compliance Requirement:** Allowable Costs/Cost Principles - OMB Circular A-87

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Employees in the Office of Family Health Services (OFHS) at Health did not accurately record their time and effort reporting. Time and effort reporting determines the amount of personal service costs that are billed to federal awards. CFDA #10.557 Special Supplemental Nutritional Program for Women, Infants, and Children (WIC) was billed for \$20,481,399 in personal services costs during our audit period. Instead of reporting time and effort according to the actual activity of each employee, Health employees reported their time each pay period according to an estimate that was determined before the activity was performed.

According to OMB Circular A-87, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Personal activity reports must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee.
- (b) They must account for the total activity for which each employee is compensated.
- (c) They must be prepared at least monthly and must coincide with one or more pay periods.
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards.

Health's time and effort documentation does not meet federal requirements for supporting charges to the WIC grant. Employees were not properly trained on federal time and effort reporting requirements. Employees, including managers in OFHS, improperly reported and subsequently approved time and effort reporting that was not an after the fact distribution of the actual activity of each employee.

According to Health, after a review by the Food and Nutrition Service in June 2014, OFHS management conducted time and effort training sessions in which employees have been instructed that they are to record their hours in the Time and Effort system based on their actual work output. Health should continue to monitor the implementation of their corrective actions provided to the Food and Nutrition Service and ensure the ongoing accuracy of time and effort reporting.

*Management Plan for Corrective Action for Department of Health*

*The Office of Family Health Services concurs with this finding. During the period being reviewed, many staff recorded their time and effort to align with their funding source instead of their actual activity. As the recommendation notes, Family Health Services has already taken corrective actions to address this issue.*

*Office Leadership provided training on Time and Effort to all supervisory staff in June 2014. This training educated staff about federal and agency policy and specifically the requirement to record time based on actual activity. The Division of Administration continues to work with the programmatic divisions in the Office of Family Health Services to ensure that time and effort is recorded accurately. In addition, the Division of Administration will work with supervisors throughout the Office to ensure time and effort is monitored and reconciled in accordance with agency policy and federal requirements.*

*Responsible Party: Stephen Vecchione, Administrative Deputy, OFHS*

*Estimated Completion Date: Completed*

## **2014-053: Complete Local Agency Monitoring Reviews**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Special Supplemental Nutrition Program for Women, Infants, and Children - 10.557

**Federal Award Number and Year:** 1VA700707 (2014)

**Compliance Requirement:** Subrecipient Monitoring - 7 CFR §246.19

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health did not complete any on-site monitoring reviews in federal fiscal year 2014 for CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC). Health did not complete reviews for any of the 35 local health agencies. Local health departments, with the exception of Fairfax and Arlington, are not “local agencies” according strictly to the definition in 7 CFR §246; they are organizational units of the Virginia Department of Health. Health did perform a review of Fairfax in fiscal year 2013; therefore, only Alexandria was not reviewed timely per federal regulations. However, Health’s decision to forgo on-site reviews of the remaining organizational units did not properly consider the impact on internal controls throughout the agency because these on-site reviews are used as a critical tool to ensure many of the controls are working as intended.

According to 7 CFR §246.19 the state agency shall conduct monitoring reviews of each local agency at least once every two years. Such reviews shall include on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater. Monitoring of local agencies must encompass evaluation of management, certification, nutrition education, breastfeeding promotion and support, participant services, civil rights compliance, accountability, financial management systems, and food delivery systems. If the state agency delegates the signing of vendor agreements, vendor training, or vendor monitoring to a local agency, it must evaluate the local agency’s effectiveness in carrying out these responsibilities.

Insufficient monitoring by Health increases the risk of program non-compliance at the local agency level. Additionally, with the implementation of the new Crossroads WIC management system, there is increased risk of program non-compliance. The Commonwealth, through Health, is liable to the federal government for any funds not used according to program regulations.

Due to the implementation of the new Crossroads grant management system, management at Health made a decision not to perform any official on-site monitoring visits during the fiscal year. Health’s management believed that scheduled on-site training for the Crossroads system was an adequate compensating control. However, the training visits did not satisfy the monitoring requirements described above. Health’s management has stated that their grantor, the United States Department of Agriculture (USDA) approved of this decision. However, at the time of our audit, Health was unable to provide evidence that demonstrated explicit approval from USDA that allowed non-compliance with federal regulations.

Health should complete on-site reviews of local agencies every two years as required by federal regulations. Health should also implement internal controls to ensure that these reviews are completed timely, and in compliance with federal monitoring standards as described in 7 CFR §246.19.

*Management Plan for Corrective Action for Department of Health*

*The Office of Family Health Services (OFHS) does not concur with this finding as written. The following statement:*

*“Health did not complete reviews for any of the 35 local health agencies,” should state “Health did not complete one required Local Agency Management Evaluation for a local agency and 17 voluntary Local Agency Management Evaluations.” The Division of Community Nutrition did conduct on-site visits and provided technical guidance and support for all 33 local health departments and two local agencies during fiscal 2014.*

*The Office of Family Health Services strongly disagrees with the following statement:*

*“However, Health’s decision to forgo on-site reviews of the remaining organizational units did not properly consider the impact on internal controls throughout the agency because these on-site reviews are used as a critical tool to ensure many of the controls are working as intended.”*

*The Division of Community Nutrition strongly considered the impact on internal controls that would result from not performing the standard Local Agency Management Evaluation tool. However, the Division of Community Nutrition decided that these risks were outweighed by the benefit of providing on-site guidance during the transition from a paper-based system to a new electronic benefits program. As noted many times by the auditor’s review, the implementation of a new system is fraught with both expected and unforeseen risks. The Division of Community Nutrition believes the on-site technical guidance provided by central office staff allowed VDH to transition WIC to the new system without major disruptions to the approximate 140,000 Virginia citizens and 800 retail locations that participate in the program. While we concur with the compliance finding, we believe it is management’s role to monitor and mitigate risks for our programs.*

*Responsible Party: Mike Welch, Division of Community Nutrition Director*

*Estimated Completion Date: June 30, 2015*

## **2014-054: Submit Invoices for WIC Rebates and Medicaid Claims**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Special Supplemental Nutrition Program for Women, Infants, and Children - 10.557

**Federal Award Number and Year:** 1VA700707 (2014)

**Compliance Requirement:** Allowable Costs/Cost Principles - 7 CFR §246.10

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health did not submit approximately \$5.1 million in infant formula rebates and Medicaid claims for the CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) during the state fiscal year. Health has rebate contracts with the manufacturers of infant formula used in the WIC program. The income from these contracts is used to offset food expenditures incurred by the program. Additionally, WIC has an agreement with the Virginia Department of Medical Assistance Services that allows WIC to be reimbursed for certain formula purchases made by WIC participants that are dual-eligible for Medicaid and WIC programs.

According to 7 CFR §246.10, at a minimum, a WIC state agency must coordinate with the State Medicaid Program for the provision of exempt infant formulas and WIC-eligible nutritionals that are authorized or could be authorized under the State Medicaid Program for reimbursement and that are prescribed for WIC participants who are also Medicaid recipients. Additionally, 7 CFR §246.16a requires all state agencies to continuously operate a cost containment system for infant formula.

By not submitting the invoices for rebates and Medicaid claims, the WIC program required more federal funds for operation than necessary, had these cost containment practices been executed timely. According to 7 CFR §246, any state agency that Food and Nutrition Services (FNS) determines to be out of compliance with the cost containment requirements for the WIC program must not draw down on or obligate any program grant funds, nor will FNS make any further program funds available to such state agency, until it is in compliance with these requirements.

According to Health, the issue with infant formula rebates is now corrected, and the unbilled portions have been recovered, resulting in no permanent financial loss. However, Health only has up to one year to submit their Medicaid claims and will suffer financially if this capability does not exist by the end of November 2014.

The infant formula rebates and Medicaid claims were not submitted because of known issues with the implementation of the new Crossroads system beginning with the Crossroads pilot in November 2013 and regional roll-out beginning in March 2014. According to management at Health, these issues were communicated to the United States Department of Agriculture (USDA), their grantor, prior to and during the implementation of Crossroads. Per Health, USDA did not see this

lack of functionality as a critical issue due to the availability of funding for WIC food costs and their confidence that these issues would be addressed.

According to Health, the formula rebate process is now functioning as designed. Health should ensure that the timely billing of these formula rebates continues as required. Health should work with the appropriate parties in order to fix the Medicaid claims billing process. If the inability to bill these claims results in a loss of income to the program, Health should work with their grantor the USDA, to determine the appropriate recourse.

*Management Plan for Corrective Action for Department of Health*

*The Office of Family Health Services (OFHS) did not submit approximately \$5.1 million in infant formula rebates and Medicaid claims for the CFDA# 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) during the state fiscal year. As noted above, the infant formula rebates and Medicaid claims were not submitted because of known issues with the implementation of the new Crossroads system beginning with the Crossroads pilot in November 2013 and regional roll-out beginning in March 2014.*

*These issues were communicated to the United States Department of Agriculture (USDA), their grantor, prior to and during the implementation of Crossroads. Per the federal grantor, "Four different groups within the Food and Nutrition Service (FNS) have been monitoring the Crossroads project from its inception in 2005. Virginia assumed a leadership role when it became the first WIC State agency to implement Crossroads after the consortium members had completed extensive acceptance testing. Several discrepancies identified during acceptance testing were recorded, evaluated, and determined to be of limited impact. Virginia received permission to continue implementation by a pilot deployment. Upon conclusion of the pilot, the Crossroads consortium and FNS re-evaluated all uncorrected deficiencies and determined that Virginia would be allowed to proceed with statewide rollout."*

*OFHS concurs that it required more federal funds than necessary in the period under review, and notes it will require less federal funds in the next period. Both OFHS and its federal grantor closely monitored spending to ensure that Virginia did not exceed its allocation from the federal grantor or appropriation from the state legislature. Because its federal grantor approved the roll-out of the new system knowing its deficiencies, OFHS does not concur that it was non-compliant with its grantor's cost containment requirements. Additionally, in order to subsequently bill and collect infant formula rebates, OFHS was continuing to operate the cost containment system for the program.*

*As noted, the issue with infant formula rebates is now corrected, and the unbilled portions have been recovered, resulting in no permanent financial loss to either the state or its federal grantor. If OFHS is unable to submit Medicaid claims by the end of*

*November, there will be an immaterial fiscal impact as OFHS will lose the capability to bill eligible Medicaid claims for the pilot district. This financial impact will increase if this capability does not exist by the end of March 2015, a year after the first regional roll-out. However, while this capability will reduce federal expenses specific to Health, it ultimately results in increased expenses for the federal government and reduced expenses to the general fund.*

*Responsible Party: Stephen Vecchione, Administrative Deputy, OFHS*

*Estimated Completion Date: Completed*

**2014-055: Improve Controls over Federal Reporting - CACFP**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Child and Adult Care Food Program - 10.558

**Federal Award Number and Year:** 1VA300399 (2014)

**Compliance Requirement:** Reporting - 7 CFR §226.7

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health does not have sufficient controls in place to ensure accurate federal reporting for the CFDA #10.558 Child and Adult Care Feeding Program (CACFP). Health could not provide support for several of the expenditures related to the cost of food for participants reported on the quarterly or annual FNS-777 submitted to the United States Department of Agriculture (USDA). Furthermore, Health is unable to provide evidence that all federal reports are reviewed by management prior to submission, nor does Health have adequate policies and procedures to ensure ongoing reporting compliance.

7 CFR §226.7 outlines Health's responsibilities for financial management, and line 13 of the FNS-777 report states, "I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents." By submitting and signing the report, Health is certifying that their report is complete and accurate. In addition, it is a management best practice to review all reports for accuracy before they are submitted to the federal government.

USDA's Food and Nutrition Services uses the data captured by this report to monitor state agencies' program costs and cash draws. Incorrect data does not allow USDA to properly monitor Health and could lead to incorrect funding allocations from USDA. The lack of a review process increases the risk of inaccurate reporting due to human error. Inaccurate federal reports must be resubmitted, creating operational inefficiencies.

According to management, due to significant understaffing and high turnover within the Office of Family Health Services (OFHS) Division of Administration, supporting documentation for the reported expenditures on the FNS-777 and evidence of management review has not been retained. In addition, Health has no policies that outline how to complete the report or policies that require a review of federal reporting by management prior to submission.

For all amounts reported to the federal government, Health should maintain a full and complete auditable trail to supporting records. Additionally, Health should implement policies and procedures over the reporting process to ensure continued compliance during staff transitions. These policies should require the review of federal reports by management prior to submission.

*Management Plan for Corrective Action for Department of Health*

*The Office of Family Health Services concurs with this finding. As of June 10, 2014, the Division of Administration within the Office of Family Health Services was able to recruit and fill three key vacancies: Director of Administration, Grants and Accounting Manager, and Senior Accountant. As a result, staff accountants are able to key information into the FNS-777; this data is then reviewed by the Senior Accountant, and certified by the Grants and Accounting Manager. Supporting documentation for any revisions is maintained by the Senior Accountant and provided to program staff in the Division of Community Nutrition and grant specialists in the Office of Financial Management. The Office of Family Health Services developed desk procedures for the FNS-777 report that have been submitted to the United States Department of Agriculture for their review.*

*Additionally, the Office of Family Health Services is working to implement SharePoint, a web application framework and platform developed by Microsoft, to improve document management throughout the Division. This will allow the Office of Family Health Services to better track and retain all supporting documentation for federal reports.*

*As of October 1, 2014, the Office of Family Health Services has developed both desk procedures for federal reporting and instituted the separation of preparing, reviewing, and certifying amongst appropriate levels of staff.*

*The Office of Family Health Services will create the necessary SharePoint accounts to improve document retention and workflows related to federal reporting by September 30, 2015.*

*Responsible Party: Stephen Vecchione, Administrative Deputy, OFHS*

*Estimated Completion Date: September 30, 2015*

**2014-056: Improve Internal Controls over the ROAP System Reconciliation Process for CACFP**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Child and Adult Care Food Program - 10.558

**Federal Award Number and Year:** 1VA300399 (2014)

**Compliance Requirement:** Other - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health does not perform adequate reconciliations between their Finance and Administration (F&A) and the Regional Office Administered Program (ROAP) systems. Health uses the ROAP system to process claims for CFDA #10.558 Child and Adult Care Feeding Program (CACFP). The current reconciliations are performed with year-to-date data, and reconciling items identified during this process are not supported with documentation and or corrected within ROAP. No procedures exist specific to the reconciliation of ROAP to F&A. Additionally, there is insufficient segregation of duties between the person who creates the list of payees in ROAP, transmits the list for payment, and reconciles the amounts paid between the two systems.

The Office of Management and Budget's Circular A-133 §.300(c) requires auditees to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. Additionally, since Health uses claims information from the ROAP system as support for expenditures charged to federal grants, it is essential that transactions in the claims system are reconciled with actual transactions from the accounting system.

Incorrect data within ROAP can lead to incorrect federal reports being submitted to the United States Department of Agriculture because many of the reports are generated directly from the system. Without adequate procedures governing the ROAP to F&A reconciliation, Health cannot ensure ongoing compliance and consistency during staffing changes. Furthermore, without adequate segregation of duties, Health is at an increased risk of unauthorized transactions. This risk is exacerbated by the lack of support maintained for reconciling items identified.

The claims module of ROAP suffers from a lack of comprehensive accounting and reconciliation documentation; therefore, the reconciliation to the agency's financial system is performed manually. Additionally, there were no written procedures in place during staffing turnovers within the Division of Administration that described the appropriate process required to complete the reconciliation, and how to address variances between the claims system and the accounting system.

Health should develop written procedures specific to performing the reconciliation between ROAP and F&A, which should include properly addressing reconciling items. As reconciling items are identified, the records should be adjusted in ROAP to reflect the payments made in F&A. Health

should also improve internal controls and segregations of duties to mitigate unauthorized transactions and ensure proper reconciliation between the two systems. Per management, Health is planning to replace the ROAP system. When procuring the new system, Health should consider including an automated reconciliation process as a required system feature.

*Management Plan for Corrective Action for Department of Health*

*The Office of Family Health Services concurs with this finding. During the period being reviewed, the Division of Administration did not perform adequate reconciliations or adequately segregate duties. However, as of July 10, 2014, the Division was able to recruit and fill three key vacancies: Director of Administration, Grants and Accounting Manager, and Senior Accountant.*

*The Senior Accountant assigned to all USDA programs has worked with staff to develop desk procedures for the reconciliation between ROAP and F&A. Due to limitations with ROAP, which is scheduled to be replaced in the next federal fiscal year, the reconciliation will continue to be a manual process. The procedures identify that the Accountant will create the list of payees in ROAP, the Fiscal Tech will transmit the list for payment, and the Senior Accountant will release the payments. Both the Accountant and Senior Accountant reconcile the data between the two systems. The reconciliation is performed monthly and includes both monthly and year-to-date data. Variances identified in the reconciliation process are corrected through standard agency accounting policies and procedures.*

*As of October 23, 2014, the Office of Family Health Services has developed both desk procedures for adequate reconciliations and instituted the proper segregation of duties.*

*Responsible Party: Stephen Vecchione, Administrative Deputy, OFHS*

*Estimated Completion Date: Completed*

**2014-057: Rates Used by the System Should be Supported by a Signed Contract with the Same Rates**

*Applicable To: Department of Medical Assistance Services*

**Federal Program Name and CFDA#:** Medicaid Cluster - 93.775, 93.777, 93.778

**Federal Award Number and Year:** 1405VA5MAP, 1405VA5ADM (2014)

**Compliance Requirement:** Allowable Costs/Cost Principles - OMB Circular A-133 § .300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Medical Assistance Services did not have the correct capitation rates in three Managed Care Organization (MCO) contracts. While the rates used by the system to calculate payments agreed to the actuary's rates and MCOs were paid the correct rates, the contracts signed by management and the MCOs did not contain the same rates. There were 80 inconsistent capitation rates for one MCO contract for the period of July 1, 2013, through December 31, 2013. In addition, there was another inconsistent capitation rate for two MCO signed contracts during the contract amendment period of January 1, 2014, through June 30, 2014.

The Commonwealth of Virginia Department of General Services Agency Procurement and Surplus Property Manual requires that all goods or services be billed by the contractor at the contract price.

Using capitation rates in the system that do not agree to the signed contract increases the risk of MCOs getting paid rates that have not been actuarially determined, negotiated, and approved by the Commonwealth. While this could result in overpayments or underpayments by the Commonwealth, we did not note any.

The Provider Reimbursement Division and the Health Care Services Division did not include the correct capitation rates in some of the contracts signed by the Medical Assistance Services Director and the Managed Care Organizations.

Management at Medical Assistance Services should review contract capitation rates included in the contract for accuracy prior to signing.

**Management Plan for Corrective Action for Department of Medical Assistance Services**

*DMAS has confirmed that the rates paid were the correct rates. The discrepancy between the correct rates and the rates in the contract totaled \$418, an error rate of 0.00002 percent. DMAS has prepared contract amendments for the three plans with incorrect rates in the contract. These contract amendments should be completed by the end of January 2015.*

*Controls Implemented:*

*Before submitting the contracts signed by the plans to the DMAS Director for her signature, DMAS will add an additional control requiring the Provider Reimbursement division to compare the final rates to the rates in the contracts.*

*Responsible Party: Bill Lessard, DMAS Provider Reimbursement Division Director  
Bryan Tomlinson, DMAS Health Care Service Division Director*

*Estimated Completion Date: January 31, 2015*

**2014-058: Continue to Strengthen Tax - Wage Reconciliation Processes**

*Applicable To: Virginia Employment Commission*

**Federal Program Name and CFDA#:** Unemployment Insurance - 17.225

**Federal Award Number and Year:** UI252351460A51 (2014)

**Compliance Requirement:** Eligibility - OMB A-133 .300(B)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control

The Tax Reconciliation Unit (Unit) needs to continue to improve compliance with its tax to wage reconciliation procedures. The Unit performs reconciliations between tax and wage records to confirm the accuracy of the Master Wage File. The Commission uses the Master Wage File as the basis for determining how much an individual should receive in unemployment insurance benefits.

We identified the following instances where the Unit did not follow its reconciliation procedures:

Three of 25 reconciling items (12 percent) tested were not resolved within 90 days. According to the Unit's procedure, reconciling items must be resolved within 90 days.

Thirteen of 25 reconciling items (52 percent) tested were not tracked and monitored in accordance with the Unit's procedure. The Unit's procedure requires personnel to log reconciling items on an internal spreadsheet for continued follow up if they are not resolved within one week.

The Unit uses VATS to perform reconciliations between tax and wage records; however, the system is antiquated and does not provide an adequate audit trail for managers to monitor compliance with procedures. To date, the Division of Information Technology has been unable to work with the Unit to develop automated management reports due to the lack of available resources. As a result, managers use ineffective manual processes to identify and track reconciling items.

Without maintaining sufficient oversight over the reconciliation process, the Commission cannot assure itself that the Master Wage File is accurate and places itself at risk of making inaccurate benefits payments. It is our understanding the Unit is currently working with the Division of Information Technology to develop automated management reports. These reports will provide managers with a mechanism to monitor compliance with the Commission's procedures and therefore ensure the accuracy of benefit payments. Along with these efforts, we recommend management continue to review staffing levels, responsibilities and training for staff in the Unit.

*Management Plan for Corrective Action for Virginia Employment Commission*

*The Tax Reconciliation Unit is currently in the process of working with the Division of Information Technology to develop automated management reports. These reports will provide managers with a mechanism to monitor compliance with the Commission's procedures. We will continue to review staffing levels, responsibilities and training for staff in the Unit.*

*Responsible Party: William Walton, UI Director*

*Estimated Completion Date: June 30, 2015*

## PAYROLL

### **2014-059: Improve Controls Over Hours Worked**

*Applicable To: Dept. of Behavioral Health and Developmental Services*

#### **Type of Finding: Internal Control and Compliance**

Western State and Piedmont Geriatric Hospitals each had one wage employee that exceeded the allowable hours worked threshold for wage employees during the initial measurement period. Wage employees are not eligible to participate in the state health insurance plan.

Chapter 806 of the 2013 Virginia Acts of Assembly states that "State employees in the legislative, judicial, and executive branches of government, the independent agencies of the Commonwealth, or an agency administering their own health plan, who are not eligible for benefits under the health care plan established and administered by the Department of Human Resource Management ("DHRM") pursuant to Va. Code § 2.2-2818, may not work more than 29 hours per week on average over a twelve month period." DHRM guidance for determining compliance with this requirement defines the Initial Standard Measurement Period as May 1, 2013, through April 30, 2014.

Failure to comply with Chapter 806 of the 2013 Virginia Acts of Assembly subjects DBHDS to potential financial penalties for violation of the Federal Affordable Health Care Act by allowing workers to work over the threshold and not receive healthcare benefits.

A breakdown in monitoring processes at Western State and Piedmont Geriatric Hospitals resulted in two wage employees exceeding the allowable hours worked threshold. The hospitals identified the issue and prevented the two employees from working for the remainder of the measurement period, but not until after the employees exceeded the threshold.

Management should improve existing controls over monitoring of hours worked for wage employees to ensure that they do not exceed the allowable hours worked threshold. This should include identifying employees that could potentially exceed the threshold as they approach the threshold rather than after exceeding it.

*Management Plan for Corrective Action for Dept. of Behavioral Health and Developmental Services*

*In the two exceptions noted, we concur that oversights were made; however in each instance, the controls in place allowed for the discovery that the hours worked exceeded 1,508 hours during the measurement period of May 1, 2013 – April 30, 2014. The Department will continue to monitor the hours worked by wage employees at Central Office and all facilities.*

*Responsible Party: Randy Sherrod, Director of Internal Audit*

*Estimated Completion Date: On-going*

**2014-060: Improve Controls Over Payroll**

*Applicable To: Dept. of Behavioral Health and Developmental Services*

**Type of Finding:** Internal Control and Compliance

Individual facilities within DBHDS do not have adequate controls in place to ensure Human Resources forms are completed and payroll is appropriate. Specifically:

- Twenty-three percent (28 out of 120) of the population tested at six out of six facilities tested did not have proper approval on payroll forms, overtime pay transactions, and pay changes, and
- Fifty percent (18 out of 36) of the population tested at four out of six facilities tested did not have a completed employee checkout checklist in the personnel file.

Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50505 “Time and Attendance” states that agencies must verify that all source documents such as timecards, timesheets, or any other authorization used to pay or adjust an employee’s pay have been properly completed, authorized by the appropriate party, and entered accurately into CIPPS. In addition, CAPP Manual Topic 50320 “Terminations” states agencies must verify that CIPPS information concerning terminating employees is complete, properly authorized, and entered accurately into the system and that all payments have been properly and accurately issued. The individual facilities payroll policies and procedures instruct the use of an employee checkout checklist as recommended by CAPP Manual Topic 50320.

Not having proper approval of payroll forms, overtime pay, and pay changes increases the risk that DBHDS could pay unauthorized and incorrect salaries. Not completing the employee checkout checklist for terminated employees increases the risk that systems access is not removed, assets are not returned, credit cards are not canceled, and human resource forms are not completed.

These exceptions occurred because the individual facilities either did not comply with established CAPP Manual guidance for payroll approvals or did not have documented local policies and procedures pertaining to employee terminations.

Management should evaluate and update policies and procedures to provide adequate guidance to ensure proper approval of payroll forms, salaries changes, and overtime. In addition, human resource and payroll personnel should receive proper approval for payroll forms and pay changes. Finally, human resource personnel should complete the employee checkout checklist when an employee is separating to ensure timely removal of systems access and proper accounting for all assets.

*Management Plan for Corrective Action for Dept. of Behavioral Health and Developmental Services*

*The Department concurs with this finding. The DBHDS Office of Internal Audit conducted this payroll testwork for the APA, issued the findings and accepted the respective responses from the facilities where testwork was completed. Follow-up reviews will be done in Fiscal Year 2016 to ensure compliance with the responses given.*

*Responsible Party: Randy Sherrod, Director of Internal Audit*

*Estimated Completion Date: June 30, 2015*

## **2014-061: Improve Documentation to Support Salary Changes**

*Applicable To: Department of Health*

### **Type of Finding: Internal Control and Compliance**

Health could not provide adequate documentation to support salary amounts reported for retirement contributions for two of the twenty-five employees tested. According to Health the two employees have not had any salary changes, other than statewide raises, since the current internal human resources system (Web F&A) was implemented; however, there was no evidence to support that the current salary amount was approved. Health did not retain consistent hardcopy documentation showing an auditable trail of approvals for these employees.

Commonwealth Accounting policies and Procedures Manual Topic 50135 states that agencies must ensure that documentation and authorization exists for all employee record changes and payroll transactions. Department of Human Resource Management (DHRM) policy 6.10 defines the required documents for all personnel files including:

- 1) Originals of the Report of Appointment or Change of Status (P-3) and Personal, Faculty and Miscellaneous (P-3a) forms, or the official agency substitute forms, signed by appointing authorities.
- 2) Original agency personnel forms used to initiate personnel transactions.

Health developed Human Resources Policy 3.05 in response to DHRM's requirements, which states: "The rationale for each and every pay action is documented using a Pay Action Worksheet (PAW) form (HR5-PAW). The documentation must be sufficient that a third party, unfamiliar with the agency, would be able to understand the business need for the pay action and the rationale for the amount provided."

Without documentation of approval of salary changes, current employee salaries cannot be supported. According to Health, the policies and procedures concerning required documentation before Web F&A was implemented in 2010 were not consistently followed agency-wide.

Health should ensure for all employees that the current salary is supported by evidence of an approval. In addition Health should maintain documented support for all salary changes in order to ensure changes are appropriate and reasonable. This documentation should support an auditable trail of approvals such that a third party, unfamiliar with the agency, would be able to understand the business need for the pay action and the rationale for the amount provided.

### **Management Plan for Corrective Action for Department of Health**

*HR is decentralized at VDH and each work unit is charged with keeping up their personnel files. Unfortunately, there was no documentation placed in the folders for*

*these two transactions. We will continue to enforce the requirements of keeping all pay transaction paperwork in the personnel files with the work units. Additionally, our F&A system now keeps an electronic copy on file as well.*

*Responsible Party: Becky Bynum, Human Resources Director*

*Estimated Completion Date: Completed*

## **2014-062: Improve Controls over Human Resources Transactions**

*Applicable To: Department of Health*

### **Type of Finding: Internal Control and Compliance**

Health does not have sufficient documentation to support numerous changes to positions that were made within the human resources (HR) system. In addition, the Office of Human Resources is unable to provide policies that outline the necessary approvals or recordkeeping requirements for the following transactions:

- Abolishing Position: this transaction eliminates a position at the agency (not necessarily an employee termination);
- Change Fund Source: these transactions determine the allocation of payroll costs for specific positions and employees; and
- Other transactions: these are transactions that change position supervisors, allow teleworking, and permit alternative work schedules.

During the audit period, 2,021 of the above positional transactions were processed by the HR system.

The Comptroller's internal control standards require that agencies document, evaluate and test controls applicable to significant fiscal processes. Payroll accounts for over \$239 million in annual expenditures at Health; therefore, we consider the internal controls over these processes to be significant.

Not having policies to outline the necessary approvals and recordkeeping requirements for position changes increases the risk that improper transactions can occur. Making changes to the fund source of a position or eliminating a position without retaining documentation to support the change increases the risk of budgeting errors or potential liabilities where Health could be liable to later repay costs associated with incorrectly allocated wages; for instance, an employee could be incorrectly billed to a federal award or another project with dedicated funding.

The Office of Human Resources does not maintain policies related to these transaction types, and delegates their responsibility to the individual work units at Health, however; the work units

have not developed their own written policies for approval and recordkeeping in support of these transactions.

Health should perform an assessment of the HR position change process. Based on that assessment, Health should identify any and all risks, implement controls, and monitor their effectiveness. The Office of Human Resources should also consider developing policies or guidance for the work units, if the central Office of Human Resources does not intend on maintaining the policies and monitoring related to these transactions.

*Management Plan for Corrective Action for Department of Health*

*VDH Office of Human Resources has policy, guidance, and/or processes documented on our HR intranet page, and the workflow embedded in the F&A system serves the purpose of the internal control for these transactions.*

*All of these transactions are actions that can be performed in VDH's F&A system and are documented in the system's workflow. Work units are required to submit all employee and position transactions through the VDH F&A HR module, with many documented in step-by-step procedures on the HR intranet page. Each transaction goes through several levels of approvals; thus, the internal control is there to confirm that the transaction is valid and accurate. The only transaction described in the memo that affects payroll and may be applicable to a significant fiscal process is "change fund source code."*

*The position fund source change action currently does not require a Reason for Request in F&A, but the individual work units maintain justification of the change or the source document. Going forward, we will require the originating work unit to provide the reason for a funding code change in the "remarks" section. This new requirement will be posted as a change in the F&A job aids on the OHR web site, an example will be provided, and an instructional email will be sent to HR-Net, indicating the change is effective with transactions initiated on December 19, 2014.*

*The HR Module of the F&A system has built in controls such as the submitter and approval levels, and accounting codes are limited to the cost center's current chart of accounts. Back end controls are also utilized such as financial reconciliations and Time and Effort Reporting. The financial reconciliation portion of the Department Administrative Management Manual specifically addresses payroll misclassification and the HR9 process for correcting through the HR module.*

*Responsible Party: Becky Bynum, Human Resource Director*

*Estimated Completion Date: Completed*

## RETIREMENT SYSTEM MEMBER DATA

### 2014-063: Improve Controls Over VNAV

*Applicable To: Dept. of Behavioral Health and Developmental Services*

#### **Type of Finding:** Internal Control and Compliance

Individual facilities within DBHDS do not have adequate controls in place to ensure that retirement information for employees is accurate and system access is appropriate. Specifically:

- Seven of seventeen facilities did not perform contribution snapshots timely;
- Seven of seventeen facilities did not have documented policies and procedures to reconcile their payroll and human resource systems to the Virginia Retirement System's (VRS) VNAV system;
- Three employees in two facilities did not have access to the VNAV system that was appropriate for their job responsibilities; and
- Three instances of inadequate segregation of duties between the approval and payment functions exist in two facilities.

Department of Accounts (Accounts) Payroll Bulletin Volume 2013-02 states that agencies must certify the Contributions Snapshot by the 10th of the following month, as it becomes the official basis for VRS billing amounts once certified. In addition, it is best practice to create and document formal policies and procedures to ensure that reconciliations are performed between VNAV and the systems of record for payroll and human resources; to ensure that VNAV system access is both role based and centered on least privileges; and that proper segregation of duties is maintained.

Untimely certification at the agency level impacts the ability of the Department of Accounts to process inter-agency transfers for any differences between the amounts confirmed in VNAV and the retirement contributions actually withheld and paid for all agencies across the Commonwealth. A lack of written policies and procedures at all DBHDS facilities provides insufficient guidance for employees to perform the reconciliations necessary to perform these certifications. Inappropriate access to the VNAV system, whether through non-role-based privileges or improper segregation of duties, creates the potential for inaccurate information to appear in the VRS system data that ultimately determines pension liability calculations for the entire Commonwealth. The VRS actuary uses the information in VNAV to calculate the Commonwealth's pension liabilities and inaccurate data could lead to a misstatement in the Commonwealth's financial statements.

Staffing shortages, competing priorities, issues that required research, and the newness of this process at the local level contributed to the lack of timely certifications at all seven locations. The inappropriate access levels observed involved employees whose initial VNAV access provided

them with the ability to schedule and approve payments of contributions following confirmation of the contribution snapshots; in all three instances, the facilities removed the access to both of these functions once we identified it. The inadequate segregation of duties involved payroll personnel approving VRS payments within the VNAV system.

Management should implement adequate controls and procedures at the facilities that consider staffing and other priorities to ensure timely performance of the monthly Contribution Snapshot. Management should also formally document policies and procedures necessary to perform the monthly reconciliations between the payroll, human resource, and VNAV systems at all facilities. Finally, management should ensure appropriate levels of VNAV system access, to include adequate segregation of duties, at all facilities.

*Management Plan for Corrective Action for Dept. of Behavioral Health and Developmental Services*

*The Department concurs with this finding. Notice will be given to all DBHDS facilities to remind them that contribution snapshot reconciliations are to be done timely, that all facilities should have policies and procedures related to VNAV, and that access to the system include proper segregation of duties. In addition, VRS will be offering training on VNAV in spring 2015; which will help DBHDS with implementation of this response and internal processes related to this system. Implementation of this will be completed by June 30, 2015 and will be monitored by the DBHDS Office of Internal Audit.*

*Responsible Party: Randy Sherrod, Director of Internal Audit*

*Estimated Completion Date: June 30, 2015*

**2014-064: Improve VNAV Reconciliation and Confirmation Process**

*Applicable To: Department of Health*

**Type of Finding:** Internal Control and Compliance

Health does not have adequate controls in place to ensure that retirement information for employees is accurate. Specifically, Health is not reconciling their payroll system, the Commonwealth Integrated Personnel and Payroll System (CIPPS), to the Virginia Retirement System (VRS) MyVRS Navigator (VNAV) system which contains essential retirement data for state employees. Per VRS policy, Health must confirm the accuracy of the VNAV data monthly. In addition, Health is not reviewing the required error reports from the Personnel Management Information System (PMIS) before confirming that VNAV is accurate. In five out of the 12 months in the period under audit, these confirmations occurred after the deadline set by VRS. Finally, Health has not

implemented adequate segregation of duties surrounding the confirmation process, as one person performs all tasks related to this process.

Commonwealth policies (Commonwealth Accounting Policies and Procedures Manual Topic 50410) require each agency to reconcile VRS contributions monthly. The confirmation submitted by the agency as a result of their reconciliation efforts also asks them to verify that VRS has calculated the correct amount of retirement contribution for the agency's employees. Department of Accounts (Accounts) Payroll Bulletin Volume 2013-02 describes the due date for the Snapshot confirmations, review of the PMIS cancelled records report, and the VRS automated reconciliation reports.

Because Health is not reconciling CIPPS and VNAV, individual employees' retirement calculations and contributions may be incorrect. Every month Accounts performs a high-level reconciliation of CIPPS and VNAV and then processes an interagency transfer for the difference between what Health confirmed in VNAV and the retirement contributions that were actually withheld and paid by the agency. Accounts cannot perform this reconciliation until all CIPPS agencies, such as Health, confirm their contributions. Health is receiving an overwhelming number of exceptions from this reconciliation and has not been able to clear all of the exceptions to date, leaving employees with possible overpayments or underpayments to the Virginia Retirement System. Beginning in fiscal year 2015, the Commonwealth will use the data in VNAV to calculate the Commonwealth's total pension liability so uncorrected errors could lead to inaccurate financial reporting in the Commonwealth's Comprehensive Annual Financial Report.

By not reviewing the PMIS Cancelled Records Report, Health is unaware when information does not transmit correctly between the human resource system (PMIS) and the retirement system (VNAV); and therefore Health does not make appropriate corrections timely. This was confirmed when we identified an employee whose salary was keyed incorrectly into PMIS but correctly into CIPPS. As result of this error, her retirement contribution amount was being withheld based on incorrect information. This employee was found to be present on two different error reports since the start of her employment, yet the error remained uncorrected.

Health is in the process of implementing procedures to ensure the employee and contribution information in CIPPS, PMIS, and VNAV is accurate. However, due to minimal guidance from DOA and VRS, and insufficient staffing, Health has not completed their own reconciliation between CIPPS and VNAV, and has been unable to address the number of exceptions generated during the Accounts reconciliation process each month.

We recommend that Health put adequate controls in place to ensure that retirement information for employees is accurate. This should include ensuring CIPPS, PMIS, and VNAV are properly reconciled with one another, reviewing the PMIS cancelled records report, and clearing all exceptions before confirming the VNAV data monthly by the imposed deadline. Additionally, Health should ensure there is an adequate segregation of duties during the VNAV confirmation process.

## Management Plan for Corrective Action for Department of Health

*The Virginia Department of Health has taken several steps in our attempt to be in compliance with the VRS Monthly Reconciliation requirement. These steps include attending the training provided by VRS and DOA, payroll staff developing and training human resource staff on the reconciliation process between PMIS and VNAV, and hiring contractors to review and resolve VNAV and CIPPS discrepancies. In addition, VDH has created a tool to facilitate the reconciliation of VNAV and CIPPS which does not require manual entry. This allows the reconciler to research discrepancies instead of spending valuable time manual entering data. However, there have been several factors beyond our control that have impeded our success.*

### *Implementation*

*The myVRS Navigator system and payroll processing rules went into effect on October 1, 2012. Three months later, in January 2013, the Virginia Retirement System provided training on how to confirm monthly snapshots between PMIS and VNAV. Simultaneously, the Department of Accounts provided guidance on the reconciliation between CIPPS and VNAV. The first payroll reconciliation reports were produced in March 2013 for the months of October 2012 through December 2012. By June 2013, eight months of CIPPS reconciliation reports to review and resolve had been issued in a four month time frame. Due to the number of VDH employees and the volume of discrepancies between VNAV and PMIS, reconciling between VNAV and CIPPS became a monumental task and catching up was impossible.*

### *Training and Guidance*

*As the PMIS system owner, DHRM has provided no guidance on the VNAV reconciliation process. The Office of Financial Management initially identified the required process and instructed HR staff on the PMIS to VNAV reconciliation. Payroll continues to conduct the VNAV and CIPPS reconciliation. In addition, written training material or quick references for VNAV were not available from VRS without going through time-consuming online training modules. Reconciliation was also significantly impeded by the necessity for repeated contacts with VRS to resolve system adjustments.*

### *Tools*

*DOA has provided VNAV CIPPS reconciliation reports in a text format which are not conducive for reconciliation. Nineteen months after the new reconciliation requirements, DOA provided an excel template to facilitate the reconciliation of CIPPS and VNAV. This template requires manual entry.*

*VDH will take the following actions by March 31, 2015 to ensure retirement information for our employees is accurate, with the understanding that considerable external factors are influential.*

*Develop and document procedures within the Office of Human Resources to address: reconciling monthly creditable compensation between PMIS and VNAV, reviewing and resolving PMIS Cancelled Records Reports issued by VNAV, confirming the monthly snapshot by the deadline set forth by VRS, and adequate segregation of duties.*

*Document procedures within the Office of Financial Management to address: reviewing and resolving monthly VRS reconciliation reports from CIPPS, adequate segregation of duties, filling a classified position in the Office of Financial Management to research and reconcile monthly VNAV discrepancies with CIPPS as well as document these reconciliation procedures and best practices.*

*Responsible Party: Becky Bynum, Human Resource Director  
Beth Franklin, Financial Management Director*

*Estimated Completion Date: March 31, 2015*

**2014-065: Improve Retirement Contribution Snapshot Certification Process**

*Applicable To: Department of Motor Vehicles*

**Type of Finding:** Internal Control and Compliance

In accordance with the Motor Vehicles' memorandum of understandings with the Motor Vehicle Dealer Board (Dealer Board) and the Department of Rail and Public Transportation (Rail and Public Transportation), Motor Vehicles administers both agencies' retirement benefits in addition to its own. Rail and Public Transportation's memorandum was not effective until May 2014, while the Dealer Board's agreement was in place for the entire period.

During fiscal year 2014, Motor Vehicles did not adequately review the Retirement Contribution Snapshot (Snapshot) prior to certification. Further, Motor Vehicles did not consistently certify the Retirement Contribution Snapshots in a timely manner. Specifically, Motor Vehicles certified untimely for one month for Motor Vehicles and three months for the Dealer Board. In these months, Motor Vehicles certified between one and sixteen days late.

The issues with the review and certification of the retirement contribution snapshot were the result of many factors, including poor communication within Motor Vehicles regarding responsibility for certification during a period of employee turnover, lack of specific training for the employees performing the function, untimely resolution of Virginia Retirement System MyVRS Navigator (VNAV) system errors, and employee oversight. Without the proper training, the human resource staff

responsible for the review lacked understanding as to the nature, extent, and purpose of the review; and therefore, did not ensure the Retirement Contribution Snapshot agreed with human resource and payroll data prior to certification. Instead, the human resource staff simply ensured they addressed all system-generated exceptions and then certified the Retirement Contribution Snapshot.

As discussed in numerous Department of Account's Payroll Bulletins and Virginia Retirement System Employer Updates, agencies should perform specific procedures to validate the accuracy of the information reported in the Retirement Contribution Snapshot prior to certification. In addition, agencies must complete the certification by the 10th day of the following month. Certification activities can begin as early as the 25th day of the month being certified. Certification of the Snapshot gives the Department of Accounts permission to transfer the agency's contributions to the Virginia Retirement System and also indicates to the Virginia Retirement System that individual employee data is accurate. Due to changes in the accounting and reporting standards over pensions, accurate management of compensation and contribution data at the employee level is critical.

As Motor Vehicles is responsible for certifying the Contribution Snapshots for Motor Vehicles, the Motor Vehicle Dealer Board, and the Department of Rail and Public Transportation, improper review of the Contribution Snapshot may result in the improper certification of employee data and payment of contributions to VRS for all three agencies. Motor Vehicles should ensure that the Retirement Contribution Snapshot Processor receives the appropriate training and thoroughly understands the extent to which to review the Retirement Contribution Snapshot as well as the period within which to complete these activities.

Further, Motor Vehicles should develop and document internal policies and procedures over this process, so that they are repeatable in the future. These procedures should include reconciling the retirement data reflected on the Retirement Contribution Snapshot to their human resource and payroll systems, as well as maintenance of evidence of the review. Finally, Motor Vehicles should include procedures to ensure the certification occurs when the primary role responsible for the function is not available.

#### Management Plan for Corrective Action for Department of Motor Vehicles

*Two employees, primary and back-up, have received all the training currently available by VRS related to MyVRS. When VRS provides additionally training, DMV will ensure they receive the training.*

*When My VRS was rolled out to the agencies, there were unresolved issues within the system. VRS training was insufficient. Although payroll bulletins were provided, the VRS help desk could not provide detailed information when contacted. Based on feedback that VRS has received from the agencies, VRS is planning conducting hands-on training that DMV will attend.*

*VRS is scheduled to provide written procedures this spring, well after agencies were required to go live with the system. Once VRS has provided detailed procedures, DMV will develop internal procedures.*

*We have been informed that this issue affects all state agencies, and that APA will issue a Risk Alert to all agencies about this issue.*

*Responsible Party: June Foster, Human Resource Analyst; Jeannie Thorpe, Director of Human Resources*

*Estimated Completion Date: On-going*

### **2014-066: Improve VNAV Reconciliations and Confirmations**

*Applicable To: University of Virginia-Academic Division*

#### **Type of Finding: Internal Control and Compliance**

The University's Payroll Department does not have supporting documentation of their payroll system to VNAV reconciliation, which they should perform before submitting their Contribution Snapshot to the Virginia Retirement System (VRS). The reconciliation from the University's payroll system to the VNAV system (VRS Navigator) is a new process implemented in fiscal year 2013. Employers are now responsible for ensuring that all employee data changes in their payroll and human resource systems are also changed in VNAV and it is the agency's obligation to ensure that the data in VNAV reconciles with their own records.

On June 15, 2014, GASB No.68 went into effect and will require agencies to report a pension liability on their fiscal year 2015 financial statements. Therefore, it is critical to reconcile the employee data in VNAV to ensure its accuracy since it is used to calculate the Commonwealth's total pension liability that will calculate the pension liability for the University's fiscal year 2015 financial statements. Additionally, ensuring that employee data in the University's payroll system is consistent with data in VNAV is a significant control in verifying that employee retirement benefit payments are accurate. Reconciling the University's payroll system and VNAV ensures that any differences between the systems are researched and corrected.

The Payroll Department currently has a process in place to whereby they review VNAV error report each pay period; however, they do not maintain documentation of this review. By not maintaining this documentation, we were unable to confirm that the Payroll Department followed their procedure and verified the accuracy and completeness of employee data in the VNAV system.

We recommend the payroll department retain sufficient documentation to demonstrate a reconciliation was performed and that they verified changes in their system were properly reported in VNAV.

## **Medical Center**

The Medical Center did not follow the Virginia Retirement System (VRS) guidelines and confirm the accuracy of VNAV data by the 10th of the subsequent month, as detailed in the Department of Accounts Payroll Bulletin, dated January 3, 2013. Eight out of the twelve months in fiscal year 2014 were certified after the 10th day, and included time lapses ranging from 2-29 days. One exception was caused by a problem with the VRS servers, which was outside the control of Medical Center staff. However, seven exceptions remain where the Medical Center did not take sufficient action to properly confirm the VNAV data timely.

These errors are the result of the Medical Center not having a sufficient internal control in place to ensure the timely confirmation of VNAV data. We recommend that the Medical Center implement a procedure to ensure compliance with VNAV requirements.

### **Management Plan for Corrective Action for University of Virginia-Academic Division**

*The University will continue to perform reconciliation from the University's payroll system to VNAV; we will add a new step to the reconciliation procedure to ensure that documentation is retained to confirm the reconciliation was performed and all differences were researched and corrected.*

*The Medical Center agrees that the VNAV reconciliation should be completed in a timely fashion. New steps have been added to the reconciliation procedure to ensure that due dates, deliverables and responsible parties are clearly specified, and that appropriate documentation of the reconciliation is retained.*

*Responsible Party: Darrell Kozuch; Assistant Vice President, UVA Human Resources and Kim Holdren; Controller, UVA Medical Center*

*Estimated Completion Date: November 5, 2014*

## **EXPENDITURES**

### **2014-067: Improve Restorative Maintenance Project Reviews**

*Applicable To: Department of Transportation*

**Type of Finding:** Internal Control and Compliance

Transportation does not have sufficient review processes or controls in place to determine whether restorative maintenance projects should be capitalized or expensed. During our fiscal year 2014 audit, Transportation's Fiscal Division discovered a \$303 million error in capitalized restorative

maintenance. The Operations Planning and Fiscal Divisions did not have adequate guidance to properly identify and code projects for capitalization at their inception, resulting in the project expenses being improperly included or excluded from capitalization throughout the life of the project.

The proper coding of projects and their related expenses is critical to Transportation since coding drives highway infrastructure capitalization in financial reporting. Without thoroughly reviewing the restorative maintenance projects and ensuring that the projects are properly coded to be included or excluded from capitalization, Transportation risks misstating year-end financial reports.

Transportation should strengthen and increase the frequency of its reviews over potential restorative maintenance projects to ensure the Operations Planning Division properly determines capitalization and codes projects. In addition, Transportation should update the policies and procedures related to restorative maintenance projects to reflect current practices.

*Management Plan for Corrective Action for Department of Transportation*

*Policies and procedures for identification of restorative maintenance projects have been updated. Projects are now reviewed quarterly, beginning with the first quarter FY 2015, which has been completed. Projects identified as needing adjustments to their capitalization status have been corrected. VDOT plans to continue this review on a quarterly basis.*

*Responsible Party: Jennifer Ahlin, Operations Planning Division Administrator*

*Estimated Completion Date: December 31, 2014*

**2014-068: Improve the Voucher Review Process**

*Applicable To: Department of Transportation*

**Type of Finding: Internal Control and Compliance**

Transportation needs to strengthen its review process over expenditure vouchers to ensure they are processed properly. Per the Commonwealth Accounting Policies and Procedures Manual, the act of approving a transaction in Cardinal means the agency certifies to the Comptroller that the transaction has been reviewed by appropriate agency staff and is accurate to the best of their knowledge and belief. During our review, we found several errors with vouchers including incorrect coding and not attaching the purchase order to the voucher for payments to a contractor. In addition, policies and procedures related to accounts payable have not been updated to incorporate changes from the Cardinal system implementation. Instead, outdated policies are in place, which reference the old system.

Without thoroughly reviewing vouchers prior to payment, Transportation risks misstating year-end financial reports, making improper payments, and drawing down funds to which it is not entitled.

Transportation should strengthen its review process over expenditure vouchers to ensure they are free from keying or other errors in Cardinal. In addition, Transportation should update their policies and procedures related to accounts payable to reflect current practices.

*Management Plan for Corrective Action for Department of Transportation*

*Fiscal Division will emphasize the importance of accurate coding with the Financial Accounting Managers and employ additional review processes to improve accuracy of coding. Fiscal Division will finalize and issue accounts payable procedures. These actions will be completed by April 30, 2015.*

*Responsible Party: Janice Long, Controller*

*Estimated Completion Date: April 30, 2015*

**2014-069: Improve Procurement Processes**

*Applicable To: University of Virginia-Academic Division*

**Type of Finding:** Internal Control and Compliance

During fiscal year 2014, the University issued over 115,000 purchase orders. We obtained the procurement file and analyzed the purchase orders to isolate and categorize those that represent higher risk. That analysis identified the following:

- 55 procurements valued between \$49,000 and \$49,999.99 which is just under the competitive request for proposal threshold of \$50,000;
- 27 procurements identified as emergency purchases;
- 23 instances of purchases made to the same vendor, on the same day, by the same buyer; and,
- 22,345 procurements identified as sole source purchases.

We selected a sample from each of these categories and identified the following concerns.

1. The University uses the same generic, unsigned sole source justification for most research-oriented sole source procurements rather than requiring the purchaser to explain the need for a sole source. A consequence of recording these research procurements as sole source involves eVA rebates. Whenever procurements are made

from unregistered eVA vendors identified as sole source, General Services refunds the eVA fees originally paid by the University. We found some instances where the University received eVA rebates to which they may not have been entitled had they identified the procurement as a cooperative contract or other procurement method.

2. We tested two Facilities Management sole source procurements and found that both had inadequate sole source justifications. These procurements involved the same vendor who was awarded two sole-source contracts to replace HVAC units based on criteria that could have been outlined in a competitive procurement and contract. Additionally, Facilities Management did not publically post these award notices in eVA or the University's procurement website, which is linked in eVA. Both the Code of Virginia, Section 2.2-1110 and the Restructured Higher Education Financial and Administrative Operations Act require public posting of such awards.
3. We tested all incidences of purchases being made from the same vendor, on the same day, by the same buyer and requested justifications as to why the procurements were split. Individually the procurements fell below the \$5,000 threshold for a competitive procurement, but had they been combined they would have exceeded \$5,000. For four of these incidences (17 percent) the University provided no justification. For five incidences (22 percent) the justifications were unreasonable and may indicate intentional splitting to avoid the delays and additional work caused by competitive procurements.
4. For one of six vendors tested (17 percent) who had procurements between \$49,000 and \$49,999.99 the buyer's original estimate of \$49,999 was later deemed insufficient as a second procurement for \$21,660 was required 10 months later. In the case where buyers estimate a procurement at just beneath the competitive procurement threshold of \$5,000 or \$50,000, they should be conservative and consider the potential for additional purchases during the subsequent 12 month period. Increasing the value would result in more competition that may provide cost savings to the University.
5. The University relied on their insurance broker to procure competitively an insurance plan for college athletes at UVA Wise, valued at over \$100,000. While it is reasonable to obtain the broker's assistance in writing the procurement specifications, University's Procurement Services should have performed the procurement in-house.

To increase competition and ensure the University receives high quality goods and services at the best price we recommend the following:

1. Require sole source justifications in all instances, including research, and ensure the justifications are reasonable and not based on preference. Additionally, post all sole source awards on the University's website or in eVA as required by the Code of Virginia.
2. Avoid splitting procurements or undervaluing them as a means to bypass the competitive procurement process. In addition, Procurement Services should monitor procurement

data to identify buyers who are not adhering to the University's Guidelines for Competition. These Guidelines require buyers to use competitive procurement when they believe the total value of goods or services to a particular vendor will exceed a competitive procurement threshold over the next 12 months.

3. Identify procurements as cooperative contracts or other procurement methods where possible to avoid accidentally identifying a procurement as sole source, generating an eVA rebate.

Management Plan for Corrective Action for University of Virginia-Academic Division

*Previously, the University had identified particular vendors as designated sole source vendors in our procurement system regardless of the particulars of the specific purchase. This resulted in numerous transactions of less than \$5,000 which were identified as sole source procurements but were documented with only a single generic sole source justification; in fact, the dollar value of these purchases did not require competition (and correspondingly sole source justification). The University will cease to identify specific vendors as designated sole source vendors for all of their transactions and will instead focus on the specific sole source merits of individual transactions. This will eliminate the identification of so many procurements that are less than \$5,000 as being sole source awards. We will, as always, require sole source justifications that are reasonable and not based on preference for all procurements over \$5,000.*

*The University policy currently requires all sole source awards over \$50,000 be publicly posted, which we currently post on the University's website. Additionally, in order to comply with the University's Management Agreement with the Commonwealth, we will initiate posting of our sole source procurements over \$50,000 directly in eVA.*

*As noted, the University's Guidelines for Competition outline the expectations that procurements are not split or under-valued in an attempt to avoid a competitive procurement process. Procurement and Supplier Diversity Services (PSDS) central buyers follow these Guidelines. PSDS has recently become more pro-active in reviewing transactions from the procurement shoppers in the field with the recent hiring of a procurement analyst. We will review the findings of the APA with the procurement analyst in order to better ensure that the Guidelines are followed by shoppers in the field. In addition, we will emphasize these Guidelines to shoppers in the field through modification of existing shopper training and targeted communications. Additionally, future procurements will be conservatively estimated for potential additional purchases.*

*The actions taken related to the first two recommendations (ceasing to identify specific vendors as designated sole source vendors for all of their transactions and instead focusing on the specific transactions over \$5,000, and working with the new*

*procurement analyst) will help to ensure that procurements are appropriately identified, justified, and recorded in the system so that accidentally identifying a procurement as sole source and generating an eVa rebate will not occur.*

*Responsible Party: Eric Denby; Director, Procurement and Supplier Diversity*

*Estimated Completion Date: December 15, 2014*

## APPLICATION CONTROLS

### **2014-070: Confirm VABS is Calculating Maximum Benefit Amount Consistently for All Claimants**

*Applicable To: Virginia Employment Commission*

**Federal Program Name and CFDA#:** Unemployment Insurance - 17.225

**Federal Award Number and Year:** UI252351460A51 (2014)

**Compliance Requirement:** Eligibility - OMB A-133 .300(B)

**Known Questioned Costs:** \$14,000

**Type of Finding:** Internal Control and Compliance

The Commission needs to ensure VABS is calculating maximum benefit amounts in accordance with the Code of Virginia for all claimants. During our evaluation of all claimants who received a payment during the year, we determined VABS did not calculate the maximum benefit amount in accordance with the Code of Virginia for 58 claimants. As a result, the Commission overpaid 41 claimants and underpaid 17 claimants respectively. Although these instances represent less than one percent of all benefit claims, the Commission should determine why VABS did not perform the maximum benefit amount calculation consistently for these claimants.

Section 60.2-607 of the Code of Virginia establishes the claimant's maximum benefit amount based on the "Benefit Table" in Section 60.2-602 of the Code of Virginia. Of the 58 claimants, VABS did not calculate the maximum benefit amount correctly for five claimants because the claimant filed for benefits for a new benefit year the same day the Commission applied a wage change to the claimant's profile for a previous benefit year. Due to system limitations, VABS cannot process two concurrent modifications and instead processes the request which impacts the most recent benefit year. As a result, VABS did not recalculate the claimants maximum benefit amount for the previous benefit year based on the corrected wages. The Commission was unable to provide an explanation for the remaining 53 claimants. Without confirming the system's logic, the Commission cannot assure itself that claimants receive the proper amount of benefits based on the formula prescribed in the Code of Virginia.

We recommend the Commission analyze these claims to determine why VABS did not correctly perform the maximum benefit amount calculation in these instances. The Commission should determine which claimants identified are entitled to a benefit adjustment payment due to an

underpayment and which need to have an overpayment established against their account. Additionally, the Commission is in the process of replacing VABS with a new system, and this issue needs to be addressed in the new system to ensure benefits will be properly calculated in all cases.

Management Plan for Corrective Action for Virginia Employment Commission

*The Division will analyze the process to determine why VABS did not perform the maximum benefit amount calculation consistently for all claimants. We will explore alternatives for remediating the identified issue(s).*

*Responsible Party: William Walton, UI Director*

*Estimated Completion Date: December 31, 2015*

**2014-071: Withhold Child Support Obligations from Benefit Adjustment Payments**

*Applicable To: Virginia Employment Commission*

**Federal Program Name and CFDA#:** Unemployment Insurance - 17.225

**Federal Award Number and Year:** UI252351460A51 (2014)

**Compliance Requirement:** Other - OMB A-133 .300(B)

**Known Questioned Costs:** \$937.20

**Type of Finding:** Internal Control and Compliance

The Commission does not withhold child support obligations from benefit adjustment payments as required by the Code of Virginia. Although the Commission does deduct child support obligations from unemployment insurance payments, there are situations where the Commission has to generate an additional benefit adjustment payment to the claimant. In these cases, the Commission does not withhold child support from the benefit adjustment payment due to system limitations within VABS.

We reviewed a sample of 23 benefit adjustment payments, which included three payments where child support should have been deducted. The Commission did not deduct child support in any of these instances. Section 60.2-608 of the Code of Virginia requires the Commission to deduct and withhold the amount of child support obligations specified by an individual from unemployment compensation. By not withholding child support obligations from benefit adjustment payments and remitting withholdings to the state child support enforcement agency, the Virginia Department of Social Services is unable to supply custodial parents with their full entitlement amount. This places the Commission at risk of incurring fines and penalties for being non-compliant with federal and state regulations.

The Commission is in the process of replacing VABS with a new system and they anticipate this issue will be addressed in the new system. Given the uncertain status of the new system, we

recommend the Commission evaluate VABS to determine what modifications or procedures could be implemented to ensure child support obligations are withheld as required by the Code of Virginia.

Management Plan for Corrective Action for Virginia Employment Commission

*The Commission is in the process of replacing VABS with the Virginia Unemployment Insurance System (VUIS). This finding will be permanently corrected with the implementation of VUIS. We will also develop a solution through our current system (VABS).*

*Responsible Party: William Walton, UI Director*

*Estimated Completion Date: September 30, 2015*

**2014-072: Enforce Business Rules in Human Resource Transactions**

*Applicable To: Department of Health*

**Type of Finding:** Internal Control and Compliance

In the period under review, 17 out of 269 human resources (HR) personnel transactions that required the approval of a Deputy Commissioner at the agency bypassed approval controls within Health's Finance and Accounting system (Web F&A). These transactions were related to temporary pay adjustments for staff, the removal of wage employees, and pre-disciplinary leave transactions.

Health's own human resources policies outline the different types of HR transactions that require the approval of a Deputy Commissioner at the agency. These business rules are built into Health's HR Module of the Web F&A system, which is intended to enforce the business rules deemed critical by management. The Web F&A HR module was designed to capture all of the necessary approvals as dictated by policy.

Transactions that do not receive the proper level of approval increase the risk of unreasonable transactions. It should be noted that these transactions were approved initially by a member of each respective work unit; however, the elevated approvals by Deputy Commissioners did not take place in the system. Health was able to provide hardcopy approvals for some of the transactions. A defect in the Web F&A system is causing it to not properly enforce business rules that Health included in the system design.

Health's Office of Human Resources should work with the appropriate technical staff to correct the system malfunctions that are allowing transactions to bypass proper approvals. Until these system corrections are made, Health should develop a method to monitor for transactions that do not receive the proper approvals.

## Management Plan for Corrective Action for Department of Health

Supporting documentation of approval was located for 12 of the 17 transactions. Three of the 5 remaining transactions occurred prior to OHR knowing the system was not working properly. The other 2 transactions had no documentation to confirm whether the workflow was followed, and the employees in OHR who approved these transactions are no longer with the agency. However, these 2 transactions were approved by the appropriate Operations Director, and delegated authority was authorized for temp pay actions to be approved by this Operations Director.

The F&A HR module was designed to capture all of the necessary approvals as dictated by policy. For the transactions in question, the approval code for Deputy Commissioner Approval was defined as "Always." As far as OHR knew, the system was working through these workflows properly and therefore believed the internal controls were in place. Once issues with the workflow were identified, a request for the workflow to be fixed was immediately sent to the Office of Information Management with the priority labeled as "Critical Enhancement" and the Severity as "High" in January 2014.

OIM will continue to investigate and incorporate Deputy Commissioner Approval into the workflow. While the solution is dependent on the business workflow and appropriate rules, OIM will integrate the requirements through the change management process and incorporate this into WebF&A. Due to the complexity of user settings in the decision table, OIM will review the programming and logic code to ensure that this is consistent with the required business workflow and approvals.

Responsible Party: Diana Malik, PMP (OIM Applications Manager)

Estimated Completion Date: March 31, 2015

## FINANCIAL REPORTING

### **2014-073: Improve Controls over Financial Reporting**

*Applicable To: Department of Transportation*

#### **Type of Finding:** Internal Control

The Virginia Department of Transportation (Transportation) does not have adequate internal controls over its financial reporting processes. In the prior year, we identified errors in Transportation's unaudited financial submissions to Department of Accounts (Accounts). This year we did note improvement in Transportation's understanding and use of the data from the accounting system. However we again noted significant errors in the information submitted to Accounts due to other causes.

For fiscal year 2014, several of Transportation's unaudited items submitted for inclusion in the Commonwealth's Comprehensive Annual Financial Report (CAFR) contained errors, which in several instances resulted in material misstatements. Further, the financial reporting preparation and review processes did not include sufficient procedures to prevent or detect these errors or omissions. As a result, we consider this issue to be a material weakness.

Several issues led to the omissions and errors observed and are summarized below:

- Insufficient support for items recorded on a submission caused the submission to be unreliable. Transportation booked a significant material entry without ensuring sufficient or appropriate support existed for the amount and nature of the transaction. Lack of supporting documentation increases the risk of recording and reporting improper transactions.
- Lack of communication, coordination, and accountability between divisions within Transportation contributed to the errors. We noted that when information was provided between divisions for compilation, no review was performed of the information provided.
- Incomplete financial reporting procedures existed to ensure Transportation completed all steps necessary to prepare a submission, for divisions outside of Fiscal. Without step-by-step procedures defining every aspect of the submission preparation process, Transportation increases their risk for errors from year to year in their financial reporting process, especially when turnover occurs in the key positions preparing and reviewing these submissions.

Transportation should ensure their financial reporting procedures over these areas provide sufficient direction for personnel regarding the support needed to prepare the submission, as well as adequate controls to prevent or detect and correct mistakes such as those identified above. Transportation should supplement this by increasing analytical procedures and review of variances, as well as, overall review of submissions to ensure they are reasonable and consistent across submissions.

Transportation should work with Accounts to ensure the submission directions specific to Transportation are sufficiently detailed, appropriately timed, and mutually agreed upon. Improved financial reporting controls and increased coordination with Accounts will help to ensure Transportation's unaudited financial submissions are materially correct and accurately represent its operations in order to meet Transportation and the Commonwealth's financial reporting needs.

Management Plan for Corrective Action for Department of Transportation

1. Fiscal Division will meet with the Department of Accounts to review the submission requirements and determine any adjustments needed to the upcoming year's submissions. 2. Fiscal will work with divisions providing financial reporting information and require written procedures, including a review process. 3. Fiscal Division will implement an additional review of key submissions using the Compliance team staff. Actions 1 and 2 will be completed by June 30, 2015. Action 3 will be completed by October 31, 2015.

Responsible Party: Janice Long, Controller

Estimated Completion Date: October 31, 2015

**2014-074: Continue to Strengthen Internal Controls over Financial Reporting**

*Applicable To: Virginia Employment Commission*

**Type of Finding: Internal Control and Compliance**

The Commission's financial reporting and review process did not identify a material error in its financial statements. The Commission reports significant non-general fund accounts receivable balances for employer tax payments, as well as benefit overpayments, in the Commonwealth's financial statements. During our review of year-end financial information, we found:

The Commission used an incorrect beginning balance to estimate the allowance for doubtful accounts. As a result, the Commission understated accounts receivable for benefit overpayments by approximately \$2.5 million.

The Commission made several errors in the accounts receivable calculations related to payable vouchers, also called p-vouchers. The net impact of these p-voucher errors resulted in an understatement of accounts receivable for benefit overpayments of approximately \$275,000.

Section 20505 of the Commonwealth Accounting Policies and Procedures Manual requires agencies to implement internal control procedures to assure that it periodically substantiates and evaluates accounts receivable balances. Since our prior audit, the Commission has improved their documentation of policies and procedures over their accounts receivable reporting; however, the reporting process remains very tedious and manual. As a result, the Commission did not detect these errors during their financial reporting and review process. Given the manual nature of the process and the lack of training, the Commission leaves itself prone to errors in its reporting processes.

We recommend the Commission continue to strengthen its internal controls over financial reporting. This includes training all individuals who prepare and review the financial statements. The Commission should consider developing a review checklist to assist in the review process. Additionally, we recommend the Commission re-evaluate and simplify their reporting processes to minimize the risk of manual error.

*Management Plan for Corrective Action for Virginia Employment Commission*

*This was corrected in the September 2014 AR Report. We had a formula error in the calculation of doubtful accounts. We have updated procedural documentation used in preparation of the AR report. We plan to continue to review the spreadsheets and refine documentation to ensure the accuracy of receivables reported.*

*Responsible Party: Eddie Sparkman, Finance Director*

*Estimated Completion Date: Complete*

**2014-075: Improve Controls over Reporting Account Receivables**

*Applicable To: Department of Health*

**Type of Finding: Internal Control and Compliance**

Health understated their accounts receivable balance submitted to the Department of Accounts for inclusion in the Commonwealth's Comprehensive Annual Financial Report (CAFR) by \$5.1 million. This understatement was associated with CFDA #10.557, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Additionally, Health misclassified two other receivable amounts. These errors were corrected after we communicated them to management. Health's Office of Financial Management has central policies pertaining to the compilation of year end accounts receivable. However, several of the amounts reported are calculated and provided by different business units within Health. The decentralized business units do not have policies and procedures related to accounts receivable submissions. Further, the financial reporting preparation and review processes did not include sufficient procedures to prevent or detect these errors or omissions.

Commonwealth Accounting Policies and Procedures Manual Topic 20505 states the following: "Agencies are responsible for developing systems that are adequate to properly account for and report their receivables, their age, collection status, and funding source to DOA quarterly." Health utilizes the fourth quarter receivables report to develop their receivables attachment for the CAFR.

The accounts receivable balances reported by Health are incorporated into the Commonwealth's CAFR. Therefore, misstated amounts by Health would have led to misstated financial statements for the Commonwealth.

Due to issues with the implementation of a new WIC information system, Health was unable to accurately identify and report certain WIC rebates and did not initially accrue the receivable. Additionally, the Office of Financial Management did not communicate with the business units sufficiently to ensure an understanding of the use of the quarterly receivable balances once they are submitted.

Health should ensure all accounts receivable at year end are accurate and properly supported. In order to achieve this, Health should ensure their financial reporting procedures over accounts receivable provide sufficient direction for personnel in the business units regarding specifics on what should be reported, the support needed to prepare the submissions, as well as adequate controls to prevent or detect and correct mistakes, errors or omissions like those observed this year. Additionally, Health should improve their compilation and review process to ensure consistency among all business units.

*Management Plan for Corrective Action for Department of Health*

*VDH does not concur with this finding as currently written. Reporting requirements necessitate the submission of the Receivables as of June 30" financial schedule (Attachment 22) twice. The original submission was due on August 21; however, each year, this schedule is subsequently revised to incorporate payable transactions after August CARS reports are issued.*

*VDH's initial submission disclosed the WIC formula/cereal rebates billing and Medicaid back billing issue. The Department of Accounts (DOA) did not request that we revise the schedule to incorporate an estimate of the amount that might be billed when the system issues were resolved; nor do any of the instructions or policies issued by DOA clearly identify that agencies should estimate items that may be billable at June 30 but not actually billed. However, VDH did submit another revision that incorporated the estimated amounts. Therefore, these amounts will be reflected in the Commonwealth's CAFR. Regarding the misclassification of two other receivables, this was also addressed in this revision and will be accurately classified for CAFR purposes. As discussed with DOA, these are currently classified as a federal receivable under revenue source code 09084 (reflective of how they will be recorded when collected).*

*Health has agency policies pertaining to Accounts Receivable and the quarterly reporting requirements. These policies are based on DOA's Commonwealth's Accounting Policies and Procedures (CAPP) and incorporate VDH-specific policies. Each office should have desk procedures for accounting for and reporting receivables in accordance with agency policy.*

*Additionally, during the June 2014 Business Manager's meeting, the Director of the Office of Financial Management reviewed year end cut-off and financial reporting schedule with VDH Office and District Business Managers. The Director explained the importance of adhering to the published deadlines, ensuring the accuracy of financial data in CARS and F&A, and how the information reported on the Office/District year-end reports (Accounts Receivable, Prepayments, Insurance Recoveries, Federal Reporting and Inventory) are incorporated into the agency's financial schedules and submitted to DOA for inclusion into the Commonwealth's Comprehensive Annual Financial Report.*

*Responsible Party: Beth Franklin, Financial Management Director*

*Estimated Completion Date: Completed*

## **FIXED ASSETS**

### **2014-076: Improve Controls over the Disposal of Fixed Assets**

*Applicable To: University of Virginia-Academic Division*

**Type of Finding:** Internal Control

#### **Medical Center**

The Medical Center removed four forklifts from its asset management system but could not provide documentation to demonstrate the forklifts were properly surplus, sold, or transferred to another entity.

The Medical Center removed the four forklifts with a net book value of \$72,085 based upon the results of their biennial capital equipment inventory, when a department representative said the forklifts were transferred to the Academic Division. In following up with the Academic Division, we found they had no record of ever receiving the four forklifts from the Medical Center and further follow-up by the Medical Center eventually located them still in use there.

While the total amount is insignificant to the Medical Center as a whole, the breakdown of internal control over the handling of noting and deleting the disposal of capital assets is a fraud risk that could potentially lead to the misappropriation of state assets. To reduce the risk of asset misappropriation, we recommend the Medical Center review its policies and procedures over the disposal of equipment and ensure that appropriate documentation is complete before removing assets from the system.

Management Plan for Corrective Action for University of Virginia-Academic Division

*The Medical Center agrees that communication and documentation of asset transfers are important internal controls. The Medical Center has restored the four forklifts to its inventory, and will obtain proper documentation supporting this action. Additionally, the Medical Center has reviewed current policy and added steps to ensure proper documentation of all capital asset disposals, whether by sale, surplus or transfer.*

*Responsible Party: Kim Holdren; Controller, UVA Medical Center*

*Estimated Completion Date: November 5, 2014*

## INVENTORY

### **2014-077: Ensure Oversight over Third-Party Vendors**

*Applicable To: Department of Corrections-Central Administration*

#### **Type of Finding:** Internal Control and Compliance

The Department of Corrections (Corrections) does not have a process for ensuring third-party providers are complying with the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard). The Security Standard considers third-party providers to be organizations that perform outsourced business tasks or functions on behalf of the Commonwealth. Corrections maintains a significant amount of inventory at various facilities across the state and they have outsourced the inventory reporting and management system to a third party vendor; however, Corrections did not have a process in place to ensure the vendor was meeting the requirements outlined in the Security Standard.

Section 1.1 of the Security Standard recognizes that agencies may procure IT equipment, systems, and services from third parties. In these situations, agencies are required to enforce the requirements in the Security Standard through documented agreements with third-party providers and oversight of the services performed. Although Corrections has documented agreements with the third party provider, Corrections did not maintain sufficient oversight to confirm the provider was complying with the Security Standard requirements. One commonly used practice for providing oversight is to request and review a Service Organization Control (SOC) report for the provider as a means to provide assurance over controls and operations. Corrections did not request a SOC report for the provider, nor did they implement other internal controls to confirm the provider's compliance with the Security Standard.

Corrections should ensure they have a process for identifying third party service providers and providing appropriate oversight to ensure compliance with Security Standard requirements. We recommend that Corrections develop procedures for maintaining oversight over third-party providers to ensure compliance with the Standard.

Management Plan for Corrective Action for Department of Corrections-Central Administration

*DOC will revise Operating Procedure 230.2 to ensure the TMS Coordinator receives an annual SOC 2 Type II report from the vendor and submits the report to the Financial Systems and Reporting Manager. Completion of this task is projected to be done no later than July 2015. Collection and filing of the SOC 2 Type II report will be ongoing. The Financial Systems and Reporting Manager will be responsible for ensuring this process is done.*

*Responsible Party: Financial Systems and Reporting Manager*

*Estimated Completion Date: July 2015*

## PROCUREMENT

**2014-078: Structure Contract Management to Prevent the Circumventing of Commonwealth Requirements**

*Applicable To: Department of Education - Direct Aid to Public Education*

**Type of Finding:** Internal Control and Compliance

During our audit, as required by the Code of Virginia §30-138(A) the Virginia Department of Education (Education) notified the Auditor of Public Accounts of a circumstance that suggested a reasonable possibility of a fraudulent transaction. Through our follow-up it appears that the employee in question was using Education's trusted relationship with one of its contractors to circumvent Commonwealth travel, procurement, and information technology requirements. The control environment at Education was enabling one of its employees to submit invoices directly to one of its contractors for payment. The contractor would make the payment and seek reimbursement from Education. Education would then reimburse these expenses under the terms of its contract. The structure of how this contract was managed and controlled did not prevent one of its employees from using the contract to circumvent Commonwealth requirements.

To ensure similar situations do not incur in the future, we recommend that Education evaluate how it has structured the management of each of its contracts. Education should structure its contracts so that employees cannot use them as an instrument to circumvent Commonwealth requirements.

Management Plan for Corrective Action for Department of Education - Direct Aid to Public Education

*Although the Department of Education believes this to be an isolated incident, agency contracts will be reviewed, and for reimbursement-based contracts, procedures will be discussed with contract administrators and contract modifications will be issued. Language will be added to the DOE Administrative Manual prohibiting reimbursement-based contracts.*

*Responsible Party: Marie Williams, Director of Procurement*

*Estimated Completion Date: July 31, 2015*

## REVENUES

### **2014-079: Ensure Tuition and Fee Rates are Approved by the Board of Visitors**

*Applicable To: University of Virginia-Academic Division*

**Type of Finding:** Compliance

#### **University**

The University did not obtain the Board of Visitors' (the Board) approval for a \$250 case fee automatically assessed on students enrolled in the Darden School Business (Darden).

Section § 23-38.88 of the Code of Virginia states that, "the Board of Visitors of a covered institution shall have sole authority to establish tuition, fee, room, board, and other charges consistent with sum sufficient appropriation authority for all nongeneral funds as provided by the Governor and the General Assembly in the Commonwealth's biennial appropriations authorization."

The Darden case fee is for books and study materials and was historically collected by the School of Business. However, the school was having difficulty collecting the fee from students and was advised by the Budget Department to include it on the student's tuition and fee bill. The University obtained approval of this fee in April of 2012 from the Provost, John Simon, and the former Chief Financial Officer, Michael Strine. Despite receiving approval by upper management, we recommend that this fee be approved by the Board in accordance with the Code of Virginia, which could be accomplished by a resolution delegating to senior management the authority to establish fees in addition to those specifically established by the Board.

Management Plan for Corrective Action for University of Virginia-Academic Division

The University will implement the recommended approach to propose a resolution delegating authority from the Board of Visitors to the appropriate University leadership to establish mandatory fees in addition to those specifically established by the Board.

Responsible Party: Colette Sheehy; Vice President for Management and Budget

Estimated Completion Date: February 2015

## OTHER

### **2014-080: Establish an Independent Line of Reporting for the Chief Internal Auditor**

*Applicable To: State Corporation Commission*

#### **Type of Finding: Internal Control**

The State Corporation Commission (Commission) does not provide its Chief Internal Auditor organizational independence with respect to administrative operations. The Chief Internal Auditor is supervised by the Chief Administrative Officer, who is also responsible for supervising administrative operations. The Commission's organizational chart places the Chief Internal Auditor under the Chief Administrative Officer without any reporting line to the Commission's Commissioners; thus jeopardizing how others perceive the Chief Internal Auditor's objectivity when it comes to auditing and reporting on the areas within:

- Human Resources
- Information Technology
- Information Security
- Accounting
- Information Resources
- Business Continuity/Disaster Recovery

The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, a best practice, states "The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity." Although the Commission does not have a board, the Commissioners are its most senior oversight group. Additionally, the IIA standards states that "the audit charter should establish independence of the internal audit activity by the dual reporting relationship to management and the organization's most senior oversight group."

A lack of organizational independence could lead to management pressures affecting the objectivity of the Commission's Chief Internal Auditor. As a result of the Chief Internal Auditor only reporting to management, its assessments of management may appear to be influenced by this relationship. The Commission should establish a reporting line between the Chief Internal Auditor and the Commissioners for conducting risk assessments, establishing work plans, and issuing audit reports to protect the Auditor's objectivity.

Management Plan for Corrective Action for State Corporation Commission

*The Commission has established a reporting line between the Chief Internal Auditor and the Commissioners.*

*Responsible Party: Greg Liptak, Chief Internal Auditor; Commissioners*

*Estimated Completion Date: December 2014*

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
U.S. DEPARTMENT OF AGRICULTURE**

<b>2014-024</b>	<b><u>Improve Database Security</u></b>
<b>2014-036</b>	<b><u>Improve Access Controls for the Crossroads System</u></b>
<b>2014-037</b>	<b><u>Improve User Access Controls for ROAP System</u></b>
<b>2014-051</b>	<b><u>Account for All WIC EBT Food Instruments and Investigate Errors</u></b>
<b>2014-052</b>	<b><u>Record Accurate Time and Effort Reporting</u></b>
<b>2014-053</b>	<b><u>Complete Local Agency Monitoring Reviews</u></b>
<b>2014-054</b>	<b><u>Submit Invoices for WIC Rebates and Medicaid Claims</u></b>
<b>2014-055</b>	<b><u>Improve Controls over Federal Reporting - CACFP</u></b>
<b>2014-056</b>	<b><u>Improve Internal Controls over the ROAP System Reconciliation Process for CACFP</u></b>

Each of these findings represents a compliance finding that could be material to the basic financial statements and are required to be reported under Government Auditing Standards. These findings relate to both the financial statements and federal awards. The details of these findings are reported within the section entitled "*Financial Statement Findings.*"

**2014-081: Improve Controls over Federal Reporting WIC**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Special Supplemental Nutrition Program for Women, Infants, and Children - 10.557

**Federal Award Number and Year:** 1VA700707 (2014)

**Compliance Requirement:** Reporting - 7 CFR §246.25

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health does not have adequate controls in place to ensure accurate federal reporting on the FNS-798 financial and participation report for the CFDA #10.557 Supplemental Nutrition Program for Women, Infants, and Children (WIC). The participation data changed multiple times during our testwork as Health gained a better understanding of the Crossroads electronic benefits system, implemented in November 2013. Health made adjustments of approximately \$1.6 million to the FNS-798 during the fiscal year because the Crossroads system was over reporting actual food expenditures due to a system flaw that was discovered after several months. Additionally, supporting documentation could not be provided for multiple reported items, including the amount spent on breast pumps, number of participants in the program, and food expenditures.

7 CFR §246.25 subparts (b) and (d) state the following related to the monthly 798 report and source documentation:

- b.) Financial and participation reports—(1) Monthly reports. (i) State agencies must submit financial and program performance data on a monthly basis, as specified by Food and Nutrition Services (FNS), to support program management and funding decisions. Such information must include, but may not be limited to:
  - (A) Actual and projected participation;
  - (B) Actual and projected food funds expenditures;
  - (C) Actual and projected rebate payments received from manufacturers;
  - (D) A listing by source year of food and NSA funds available for expenditure; and,
  - (E) NSA expenditures and unliquidated obligations.
  
- d.) Source Documentation: To be acceptable for audit purposes, all financial and Program performance reports shall be traceable to source documentation.

FNS uses the reports to assess the state's progress in achieving the objectives of the WIC program. Inaccurate financial and participation information provided to FNS limits their ability to monitor the program. Additionally, multiple resubmissions of federal reporting require the unnecessary use of administrative time.

Health implemented the Crossroads electronic benefits system for the WIC program during fiscal year 2014. Several components of the reporting system were not functional for most of the fiscal year. This includes some of the reports that are required to create the FNS-798, and a dedicated reporting server that will provide the users with a reliable reporting environment. Additionally, Health had to combine financial and participation data from their legacy WICnet system with data from the new Crossroads system in order to submit accurate reporting.

As a result, Health created ad hoc reporting tools as a substitute, in order to report information to FNS timely. However, due to Health's unfamiliarity with their new Crossroads system, unavailable information that linked participants between the two systems, and a lack of documented policies and procedures, there have been several revisions to the FNS-798 report. Health has also identified an issue that prevents accurate reporting of participation data from the Crossroads system within the timeframe required by FNS. According to Health, they have submitted a change request to the Crossroads developers in order to resolve this issue.

Health should continue to gain a better understanding of the Crossroads reporting function and work with their developers to ensure actual participation data can be reported timely. Ultimately, Health should work with their developers to ensure that Crossroads' native application reporting function is operating as required by their contract. Additionally, Health should implement policies and procedures over the reporting process to ensure accurate and timely reporting of both participation and financial information to FNS.

*Management Plan for Corrective Action for Department of Health*

*The Office of Family Health Services concurs with this management recommendation and the causes cited above. However, the Office of Family Health Services notes that it is not the contract administrator with the developer that oversees Crossroads and has to work with three other state partners and USDA to implement these corrective measures. Also, the Office of Family Health Services notes that even under optimal conditions with system reporting functions working as intended, the FNS-798 reports will require regular revisions.*

*The Office of Family Health Services will work with the consortium of states, its contractors, and system developers to continue to gain a better understanding of the Crossroads reporting function. Family Health Services will work with these partners to determine the most economical way of assuring that the reporting function in the native application is working as intended. Finally, the Division of Community Nutrition will work with the Division of Administration to develop desk procedures over the participation and financial information reported on its monthly reports to FNS. Desk procedures for the new reporting environment should be complete by June 30, 2015.*

*Responsible Party: Stephen Vecchione, Administrative Deputy, Office of Family Health Services; Michael Welch, Division of Community Nutrition Director*

*Estimated Completion Date: June 30, 2015*

**2014-082: Improve Procurement Controls**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Special Supplemental Nutrition Program for Women, Infants, and Children - 10.557

**Federal Award Number and Year:** 1VA700707 (2014)

**Compliance Requirement:** Procurement and Suspension and Debarment - 2 CFR §215

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Our review of procurement transactions charged to CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC) identified several items that we consider to be non-compliant with the Commonwealth's procurement policies. The noncompliance issues related to insufficient documentation in support of procurement decisions and purchased services over \$5,000 in which bids were not solicited.

States, and governmental subrecipients of states, will use the same state policies and procedures used for procurements from non-federal funds. The Commonwealth's policies and procedures governing procurement are contained in the Virginia Department of General Services' (DGS) Agency Procurement and Surplus Property Manual (APSPM). The APSPM is designed to ensure that public bodies in the Commonwealth obtain high quality goods and services at reasonable cost, that all procurement procedures are conducted in a fair and impartial manner with avoidance of any impropriety or appearance of impropriety, and that all qualified vendors have access to public business and that no offeror be arbitrarily or capriciously excluded. Non-compliance could result in the failure of those objectives, and in the case of federal awards, questioned or potentially unallowable costs can be incurred.

Health failed to maintain evidence that demonstrated a consistent application of procurement standards as required by the APSPM. Inadequate recordkeeping in support of proprietary product purchases, proposal evaluations, and rental contracts reduced the auditable trail that is necessary to understand the why, who, what, when, where, and how of each transaction. Additionally, Health did not properly monitor the expenditure amount of their service contract that should have been submitted for bids.

Health should improve controls over their procurement process that ensure procurement actions are in compliance with the APSPM. Specifically, Health should ensure that documentation in support of procurement decisions is maintained, and that bids and quotes are solicited for services that exceed \$5,000.

Management Plan for Corrective Action for Department of Health

VDH concurs that it failed to maintain a complete trail of evidence for three items selected by the auditor for review and failed to solicit a bid for a cleaning contract that exceeded \$5,000 during fiscal 2014. As to the three items with incomplete information:

1. VDH was unable to locate the selection summary for a contract procured in 2007.
2. VDH could not provide the business justification for a rental contract with an annual value of less than \$18,000 that was entered into in 2012. However, VDH notes that there are no state policies that require specific documentation be maintained for this type of lease agreement.
3. VDH did not document a phone conversation with a vendor in which that vendor withdrew their quote because it was unable to meet the specifications of the solicitation. This resulted in VDH choosing the one remaining proposal that was able to meet the specifications of the solicitation.

OPGS does not believe this a wide-spread agency issue. OPGS initiated in January 2014 an on-site review and training program in which OPGS Procurement Officers conducted peer reviews of the procurements conducted in the Offices and Districts. During these reviews, OPGS included procurement basic training to each local health district. The training will continue on a reoccurring basis. In addition, OPGS training is being expanded (Phase II) in 2015 to provide Contract Administration roles and responsibilities.

OPGS will communicate with local health department business managers in order to review all small service contracts and ensure they do not exceed \$5,000; and that if they have, to submit a QQ as quickly as possible. OPGS routinely selects randomly selected purchase orders placed in eVA for compliance and quality assurance review. In 2015, OPGS is increasing agency-wide communication with procurement bulletins, improving the OPGS website, and finalizing procurement policies and procedures currently scheduled for publication.

Responsible Party: Stephen Vecchione, Administrative Deputy – OFHS  
Steve VonCanon, Purchasing and General Services Director

Estimated Completion Date: June 30, 2015

## **2014-083: Review Subrecipient Single Audit Reports and Issue Management Decisions**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Child and Adult Care Food Program - 10.558

**Federal Award Number and Year:** 1VA300399 (2014)

**Compliance Requirement:** Subrecipient Monitoring - OMB Circular A-133 § .400(d)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health is not reviewing single audit reports or issuing management decisions for subrecipients of the Child and Adult Care Feeding Program, CFDA #10.558. Health has developed policies and procedures to comply with monitoring requirements but has not fully implemented them yet. Also, Health does not compare subrecipient audited Schedule of Expenditures of Federal Awards (SEFAs) to Health's internal accounting records to ensure the reasonableness of pass-through funds subject to audit.

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D-Federal Agencies and Pass-Through Entities §\_\_.400 Responsibilities, (d) Pass-through entity responsibilities, (4), (5), and (6), which are:

- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

Insufficient review of single audit reports by Health increases the possibility of Health not detecting non-compliance or internal control issues at its subrecipients. Subrecipients that do not properly identify federal expenditures, or exclude amounts on their SEFA, increase the risk that Health cannot rely on the subrecipient single audit. Furthermore, failure to adequately review single audit reports prevents Health from knowing if a subrecipient's audit necessitates adjustments to Health's own records.

By Health not issuing management decisions on related audit findings, subrecipients may not know if their corrective actions are appropriate. In addition, some subrecipients may elect to not take corrective action without guidance from Health. Due to staffing turnover, Health's implementation of new subrecipient monitoring policies and procedures developed in the prior year were not completed according to their intended schedule.

Health's management should designate staff to review subrecipient single audits and SEFAs to ensure compliance with OMB's Circular A-133 § .400(d)(4-6). Specifically, Health should ensure that necessary management decisions are delivered to subrecipients timely, and that subrecipient audited SEFAs are reasonable in relation to Health's records, in order to ensure proper audit coverage over pass-through funds.

*Management Plan for Corrective Action for Department of Health*

*The Office of Family Health Services concurs with this finding. During the period being reviewed, the Division of Administration in OFHS did not review or issue management decisions related to all subrecipients' fiscal year 2012 A-133 audit reports. The Division of Administration is currently recruiting a fiscal monitor supervisor whose work duties will include reviewing all A-133 audit reports for significant subrecipients and working with the Directors of Administration and Community Nutrition to develop adequate management responses.*

*As the recommendation notes, Health has developed policies and procedures to address this finding and is working to implement those with current staff. Since May, the Division of Community Nutrition reviewed 75 significant subrecipients of the Child and Adult Care Feeding Program. Of those 75 recipients, 48 were required to have A-133 audits and eight entities received audit findings. The Division of Administration is working with the Division of Community Nutrition to ensure that adequate management decisions regarding audit recommendations of subrecipient are issued in an effective and timely manner.*

*Subrecipient monitoring is an ongoing control. VDH has instituted subrecipient monitoring policies and procedures that include training and tracking documents. While the Division of Administration can not correct that it did not review required A-133 reports in the past, it is working to ensure that it reviewing all required subrecipient A-133 audit reports in a timely manner and issuing any required management decisions in a timely manner in accordance with federal guidance and agency policies.*

*Responsible Party: Stephen Vecchione, Administrative Deputy, OFHS*

*Estimated Completion Date: June 30, 2015*

## **2014-084: Complete Subrecipient Monitoring Reviews**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Child and Adult Care Food Program - 10.558

**Federal Award Number and Year:** 1VA300399 (2014)

**Compliance Requirement:** Subrecipient Monitoring - 7 CFR §226.6(m)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health did not complete the minimum number of subrecipient monitoring reviews in federal fiscal year 2014 for the CFDA #10.558 Child and Adult Care Feeding Program (CACFP). Although Health reviewed 33.3 percent of its subrecipients, it failed to meet the requirement to review all sponsors once every three years. These reviews were missed due to an insufficient tracking process developed by Health to ensure compliance with federal monitoring regulations.

United States Department of Agriculture (USDA) federal regulation 7 CFR §226.6(m) requires Health in each federal fiscal year to review 33.3 percent of all of its subrecipients as well as any subrecipients that have not been reviewed in the past three years. Per the USDA Monitoring Handbook for State Agencies: "The State agency should establish a system to schedule and track reviews to ensure it remains in compliance with the requirements. The State system should allow it to know at a glance, anytime during the review year, that it is meeting the number and type of reviews required or whether modifications need to be made in the schedule or caseload."

Insufficient monitoring by Health increases the risk of program non-compliance at the subrecipient level. In addition, having an incomplete tracking document increases the possibility of missing reviews for the subrecipients not listed. This was confirmed when a sponsor was found to not have received a review in the past three years due to being excluded from Health's tracking tool. The Commonwealth, through Health, is liable to the federal government for any funds that program subrecipients do not use according to program regulations.

Health did not comply with their corrective action plan from the prior year of reconciling the subrecipient tracker semi-annually. Health should improve their tracking process to ensure all subrecipients are reviewed on a three year basis according to grant requirements.

### **Management Plan for Corrective Action for Department of Health**

*The Division of Community Nutrition concurs that there was one sponsor, Norfolk Public Schools, which initially had less than five sites but within their first year exceeded five sites and should have been reviewed prior to their actual review date of October 27, 2014.*

*The Division instituted its new tracking system in response to a prior year audit finding and believes the tracking worksheet demonstrates an overall improvement in*

*compliance that should be noted. In federal fiscal year 2014, the Division met the Federal requirements on all of about 400 sponsors except for the one noted above. The Division believes its commitment to address the issues identified by the Auditor of Public Accounts led to the increased improvement in performing the required number of monitoring reviews. In order to reach its goal of 100 percent compliance, the Division will review all sponsors listed on the tracking worksheet and reconcile that spreadsheet quarterly to a list of paid sponsors from the agency accounting system. The Divisions of Administration and Community Nutrition have begun working through this process and are currently developing desk procedures for the reconciliation. We estimate that the quarterly reconciliations will be fully operational by March 31, 2015.*

*Responsible Party: Mike Welch, Division of Community Nutrition Director  
Steve Vecchione, Administrative Deputy, Division of  
Administration*

*Estimated Completion Date: March 31, 2015*

**2014-085: Complete FFATA Reporting for CACFP**

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Child and Adult Care Food Program - 10.558

**Federal Award Number and Year:** 1VA300399 (2014)

**Compliance Requirement:** Reporting - 2 CFR §170

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health has not submitted timely Federal Funding Accountability and Transparency Act (FFATA) reporting for CFDA #10.558 Child and Adult Care Feeding Program (CACFP). The staff charged with completing the FFATA reporting did not retain adequate supporting documentation for batch uploads into the federal reporting system and misreported multiple subrecipients under the wrong Data Universal Numbering System (DUNS) number.

FFATA and 2 CFR §170 require Health to submit FFATA reporting no later than the month following the month in which Health awards \$25,000 or more in federal funds to a subrecipient. The subawardee DUNS number is a key element required for compliance when completing FFATA reporting. Failure to comply with FFATA and corresponding regulations limits the federal government and taxpayers' ability to know which entities are receiving federal funds through Health.

According to management, due to significant understaffing and high turnover within the Office of Family Health Services (OFHS) Division of Administration, Health has been unable to complete the FFATA reporting.

Health should complete FFATA reporting as required. Management should also develop written procedures for the accounting staff to ensure continuing compliance during staffing changes.

Management Plan for Corrective Action for Department of Health

*The Office of Family Health Services concurs with this finding. As of June 10, 2014, the Division of Administration within the Office of Family Health Services was able to recruit and fill three key vacancies: Director of Administration, Grants and Accounting Manager, and Senior Accountant. With the addition of these three staff, the Division of Administration is documenting office-specific procedures for FFATA reporting that align with Health's agency-wide policy and federal requirements related to FFATA. In addition, the Office of Family Health Services has now completed reporting for all CACFP subrecipients that received more than \$25,000 in federal funds in fiscal year 2014 and corrected multiple subrecipients that were reported using the incorrect Data Universal Numbering System. Moving forward, the Office of Family Health Services will work to ensure that all subrecipients are reported timely in accordance with agency and federal policy.*

*As of October 1, 2014, the Office of Family Health Services is confident that the required FFATA reports are being completed. By March 31, 2015, the Division of Administration will develop desk procedures for FFATA reporting that align with the VDH policy and federal regulations.*

*Responsible Party: Stephen Vecchione, Administrative Deputy, OFHS*

*Estimated Completion Date: March 31, 2015*

## U.S. DEPARTMENT OF EDUCATION

### **2014-086: Properly Perform Return to Title IV Calculations**

*Applicable To: College of William and Mary, Richard Bland College, Blue Ridge Community College, Eastern Shore Community College, and Southwest Virginia Community College*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Special Test and Provisions - 34 CFR §668.22

**Known Questioned Costs:** \$6,376.73

**Type of Finding:** Internal Control and Compliance

Student Financial Aid offices at these institutions did not properly identify or calculate Title IV funds for students who officially or unofficially withdrew from courses and no longer qualified for federal financial aid.

The College of William and Mary did not exclude the five days of Thanksgiving Break, from November 27, 2013, to December 1, 2013, from the total number of calendar days in the Return to Title IV calculation. For the sample tested, the Financial Aid Office returned \$46.47 more than required to the Department of Education. This error applies to 100 percent of Return to Title IV calculations for the Fall 2013 semester.

Richard Bland College used an incorrect period adjustment of five days for spring break, rather than nine days, in performing Return to Title IV calculations for the Spring 2014 semester. This error applies to 100 percent of Return to Title IV calculations for the Spring 2014 semester and, for the sample tested, caused the Financial Aid Office to return \$231.49 less than required.

Blue Ridge Community College overlooked one student requiring a Return to Title IV calculation during the Fall 2013 semester and improperly included the date of commencement in the period of enrollment for the Spring 2014 semester. As a result of overlooking the student during Fall 2013, the Financial Aid Office returned \$878.33 less than required to the Department of Education. In addition, in recalculating the return to be processed, the withdrawing student should have returned \$2,510.86 to the Department of Education. Lastly, as a result of including commencement in the period of enrollment, Blue Ridge Community College returned \$53.57 more than required to the Department of Education for the Spring 2014 sample selected. This error in calculation applies to 100 percent of Return to Title IV calculations for the Spring 2014 semester.

Eastern Shore Community College did not identify all individuals requiring a Return to Title IV calculation during the fiscal year due to improper entry of the fall and spring holiday schedule into the PeopleSoft financial aid module. As a result of the audit, the Financial Aid Coordinator performed

calculations for four additional students requiring returns and returned an additional \$2,423.27 to the Department of Education. The primary cause of this condition was improper communication regarding the responsibility for updating the semester holiday schedule between Student Records and Human Resources.

Southwest Virginia Community College excluded the period adjustment of seven days for some returns performed in March and April for the Spring 2014 semester. For the sample selected, the error resulted in the return of \$89.32 more than required to the Department of Education. Additionally, a subsequent selection of returns from March 2014 indicated the college returned \$143.42 less than the amount required.

Code of Federal Regulations, 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days.

Improperly identifying, calculating, and returning unearned Title IV funds may jeopardize continued participation in Title IV programs. The institutions should review policies, procedures, and processes to ensure students requiring calculations have been properly identified and calculations have been properly performed.

*Management Plan for Corrective Action for Richard Bland College*

*Richard Bland College will correct Spring 2014 Return to Title IV calculations and return any additional funds to the Department of Education.*

*Responsible Party: Emily Martin, Assistant Director of Financial Aid*

*Estimated Completion Date: March 16, 2015*

*Management Plan for Corrective Action for the College of William and Mary*

*The College adjusted the calendar in its accounting system to exclude Thanksgiving break and will continue to do so in subsequent years.*

*Responsible Party: Ed Irish, Director of Financial Aid*

*Estimated Completion Date: Complete*

Management Plan for Corrective Action for Blue Ridge Community College

*Semester dates are established by the BRCC Information Technology department. The dates established for the remainder of 2013-14 and 2014-15 are correct. Spring 2014 semester calculations will be reexamined and any necessary revisions will be made. In the future, Financial Aid Office personnel will confirm the accuracy of all semester dates before calculations are performed.*

*Responsible Party: Robert Baldygo, Vice President for Finance and Administration*

*Estimated Completion Date: March 31, 2015*

Management Plan for Corrective Action for Eastern Shore Community College

*The Financial Aid Coordinator processed the four returns, which included completing the R2T4 worksheet for each student, adjusting the original disbursement in the PeopleSoft Student Information System and Common Origination and Disbursement System, and returning \$2,423.27 to the Department of Education. The Financial Aid Coordinator will meet with the Human Resource Officer during every financial aid set-up period to ensure that the holiday schedule is properly populated into the PeopleSoft financial aid module.*

*Responsible Party: Diane Wheatley, Business Manager/Human Resource Officer and Carole Read, Financial Aid Coordinator*

*Estimated Completion Date: Complete*

Management Plan for Corrective Action for Southwest Virginia Community College

*In July 2014, Southwest Virginia Community College changed their process. The Information Technology Specialist will now enter the academic calendar and the holiday schedule including break days for Financial Aid.*

*Responsible Party: Nancy Hope, Financial Aid Coordinator*

*Estimated Completion Date: Complete*

**2014-087: Promptly Return Title IV Funds**

*Applicable To: Blue Ridge Community College, J. Sargeant Reynolds Community College, and New River Community College*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Special Test and Provisions - 34 CFR §668.22

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Student Financial Aid offices at these institutions did not promptly return Title IV funds within 45 days of the institution's determination that the student withdrew.

Staff at Blue Ridge Community College did not identify unofficial student withdrawals in a timely manner resulting in the late return of funds to the Department of Education. For seven of 29 student withdrawals tested (24 percent), BRCC processed refunds to the Department of Education outside of the timeframe required by 34 CFR §668.22. Six of these withdrawals occurred during the Fall 2013 semester and processing coincided with the institution's winter holiday and Spring semester workload priorities, which led to the delay in returning the funds.

For 13 out of 40 student withdrawals tested (32 percent), J. Sargeant Reynolds Community College staff returned funds between 52 and 105 days following its determination the student withdrew from the college. College staff indicated that staff workload during the Spring 2014 semester led to the delay in returning the funds.

In addition, staff at New River Community College exceeded the 45-day timeframe for returning Title IV funds for nine students with an institutional determination date of December 20, 2013. The college indicated that the institution's holiday schedule and inclement weather likely contributed to the delay in processing the returns.

Code of Federal Regulations, 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. All funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn. In addition, for an institution that is not required to take attendance, an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the - (i) Payment period or period of enrollment; (ii) Academic year in which the student withdrew; or (iii) Educational program from which the student withdrew.

Financial aid offices at these institutions should ensure current processes enable timely identification of withdrawals and prompt return of Title IV funds to the Department of Education within the prescribed 45-day timeframe.

Management Plan for Corrective Action for Blue Ridge Community College

*Management concurs that fall 2013 calculations were processed late. At the time, the College was using an unwieldy query that required a great deal of manual manipulation. Blue Ridge Community College has implemented a process that uses a much simpler report that will prevent future delays.*

*Responsible Party: Robert Baldygo, Vice President for Finance and Administration*

*Estimated Completion Date: Complete*

Management Plan for Corrective Action for J. Sargeant Reynolds Community College

*In order to ensure that all components of the R2T4 process are performed timely, the College hired and trained an R2T4 specialist, who is responsible for the R2T4 process in April 2014. In addition to performing the calculations and making necessary adjustments to aid, the position is responsible for the reconciliation of the Common Origination and Disbursement (COD) system files that are sent for R2T4 students.*

*Responsible Party: Kiesha Pope, Director of Financial Aid*

*Estimated Completion Date: Complete*

Management Plan for Corrective Action for New River Community College

*The College concurred with the finding and will ensure that future returns are processed within 45 days of the institution's determination of student withdrawal. A newly created Return to Title IV Workflow Checklist is now used to track each step in the process to ensure return of funds within 45 days. The checklist is dated upon completion of each step and a copy of the checklist is kept with each completed batch. The Human Resources and Business Operations Manager along with the Student Accounts Specialist monitor steps in the process by entering due dates in their Outlook Calendar to ensure the prompt return of Title IV funds.*

*Responsible Party: Melissa Anderson, Human Resources and Business Operations Manager*

*Estimated Completion Date: Complete*

**2014-088: Perform and Document Monthly Reconciliations of Direct Loans**

*Applicable To: Blue Ridge Community College, J. Sargeant Reynolds Community College, Virginia Western Community College, and James Madison University*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Special Test and Provisions - 34 CFR §685.300(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

These institutions were unable to provide sufficient documentation showing reconciliation of their internal records to the Direct Loan System upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursement (COD) system.

In accordance with 34 CFR §685.300(b) and 34 CFR §685.102(b), institutions must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Each month, COD provides colleges with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail Records to aid in this reconciliation process.

We recommend the institutions perform and retain sufficient documentation of their monthly reconciliations and resolve reconciling items between their financial systems and SAS records in a timely manner to ensure compliance with federal regulations. In addition, the institutions should implement a review process to ensure reconciling items are resolved appropriately.

**Management Plan for Corrective Action for Blue Ridge Community College**

*An unexpected leave of absence of key personnel caused a gap in the timing of the completion of the reconciliations. The Financial Aid unit has now implemented a program of personnel cross training for added continuity in the event of employee absence. Upon hiring of the Assistant Director, all reconciliations were completed. The current practice is to perform the required reconciliations no less than once per month.*

*Responsible Party: Robert Baldygo, Vice President for Finance and Administration*

*Estimated Completion Date: Complete*

**Management Plan for Corrective Action for J. Sargeant Reynolds Community College**

*As of October 2014, the Office of Financial Aid has begun retaining copies of the SAS Direct Loan reconciliation reports and have instituted a signature process to ensure*

*and document that the reconciliations have been completed and that the appropriate documentation is maintained.*

*Responsible Party: Kiesha Pope, Director of Financial Aid*

*Estimated Completion Date: Complete*

*Management Plan for Corrective Action for Virginia Western Community College*

*The Virginia Western Financial Aid Office is fully staffed, and implemented a new procedure for COD reconciliation on October 1, 2014, which calls for reconciliation following each disbursement and at minimum once per month. The Financial Aid Coordinator will sign off electronically on the reconciliation monthly.*

*Responsible Party: Chad Sartini, Financial Aid Coordinator*

*Estimated Completion Date: April 30, 2015*

*Management Plan for Corrective Action for James Madison University*

*JMU has improved the Direct Loan Reconciliation process since the audit. An updated policy details monthly reconciliation, year-end closeout, as well as daily and weekly efforts to resolve data conflicts between COD and PeopleSoft. Briefly summarized, immediately following each disbursement (usually on a weekly basis), JMU sends disbursement information via files transmitted to COD through EDConnect. Following each disbursement and return of funds, JMU will update the monthly and annual Drawdowns and Refunds of Cash spreadsheets. This tracks when JMU requests a transaction, when that transaction shows up in COD, University Business Office return of funds information, and any potential discrepancies between the Office of Financial Aid and Scholarships, COD, and the University Business Office. The spreadsheet is also used in monthly reconciliation to determine how much cash is outstanding for a particular month. Loan information, including disbursement information, is sometimes rejected by COD. When that occurs, COD will send a response file to JMU with information about the rejected loans, as well as the reason the loans were rejected. That file is uploaded into PeopleSoft and results in a loan "hold." JMU runs a query at least weekly to identify these loans and resolve the issues within PeopleSoft or COD as necessary. If the resolution affects JMU's cash balance, then this is documented on a monthly action item spreadsheet. This spreadsheet documents the loan, the error, and how the error was corrected. Following each monthly reconciliation, the Assistant Director for Loans and Associate Director for Operations will sign the monthly reconciliation reports to signify that the month's reconciliation is complete. These reconciliation reports will be maintained for audit purposes.*

*Responsible Party: Lisa Tumer, Director – Office of Financial Aid and Scholarships*

*Estimated Completion Date: April 30, 2015*

**2014-089: Improve Compliance Over Enrollment Reporting**

*Applicable To: Blue Ridge Community College, Southwest Virginia Community College, Thomas Nelson Community College, and James Madison University*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Special Test and Provisions - 34 CFR §685.309 and 34 CFR §690.83

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

These institutions did not properly report enrollment changes to the Department of Education using the National Student Loan Data System (NSLDS).

Blue Ridge Community College did not report enrollment changes to NSLDS accurately or timely during fiscal year 2014. For 19 of 35 students selected (54 percent), the NSLDS enrollment status and/or effective data did not match the College's internal records. Additionally, 33 of 35 enrollment changes (94 percent) were not reported within the prescribed timeframe.

Southwest Virginia Community College only reported graduate information to NSLDS once per year, until revising its submission process for fiscal year 2015. The previous process led to untimely submission of graduate data, particularly for those students graduating in the summer or fall semesters of the respective school year.

Additionally, in a sample of 25 students at Thomas Nelson Community College, we noted improper information in NSLDS for 16 individuals. Fourteen of the 25 students selected (56 percent) did not have a withdrawal date in NSLDS that agreed to the institution's student financial aid records, and two of the 25 students (eight percent) had an enrollment status of graduated in the institution's records, but did not have the same status in NSLDS.

Lastly, during our review of graduate reporting at James Madison University, we noted three students not reported to NSLDS within 30 days of the institution's determination of their status change. The delay occurred because the University only sends degree transmissions to NSLDS three times per year.

In accordance with Code of Federal Regulations, Title 34 CFR §685.309(b)(2), 34 CFR §690.83(b)(2), and as detailed in Dear Colleague Letter (DCL) GEN 12-06, unless the university expects to submit its next student status confirmation report within 60 days, the university must notify the Department of Education within 30 days of an enrollment change. Additionally, the NSLDS Enrollment Reporting Guide, published by the Department of Education, identifies specific parameters, which must be met to achieve compliance with these reporting regulations.

Not properly and accurately reporting a student's enrollment status may interfere with establishing a student's loan status, deferment privileges, and grace periods. In addition, the accuracy of the data the college reports plays a large part in keeping Direct Loan records and other federal student records accurate and up to date.

We recommend each institution evaluate its existing policies and procedures for performing enrollment updates to NSLDS to ensure that they agree with the federal requirements.

*Management Plan for Corrective Action for Blue Ridge Community College*

*Data reported to NSLDS is provided to colleges via a VCCS generated report. This report has found to be providing inaccurate data. The VCCS Director of Financial Aid has agreed to work with VCCS Information Technology personnel to correct the report data.*

*Responsible Party: Robert Baldygo, Vice President for Finance and Administration*

*Estimated Completion Date: March 31, 2015*

*Management Plan for Corrective Action for Southwest Virginia Community College*

*Southwest implemented a policy for submitting timely graduate data to NSLDS as of April 18, 2014. This policy was created to ensure timely reporting to NSLDS and ensure compliance with respective federal reporting guidelines.*

*Responsible Party: Nancy Hope, Financial Aid Officer*

*Estimated Completion Date: Complete*

*Management Plan for Corrective Action for Thomas Nelson Community College*

*The College Financial Aid Office will work with the staff that is responsible for uploading the Clearinghouse file to ensure that all Financial Aid graduates are reported. The NSLDS enrollment report screen in NSLDS will be reviewed to make sure that all of the graduates are reported.*

*The College will begin updating the NSLDS enrollment file with the students who have unofficial withdrawals and making sure that those dates are the same as the institutional determination date listed in the Return of Title Four report. This will be a manual process as confirmed by the VCCS Financial Aid Coordinator at the System Office.*

*Responsible Party: Kathryn Anderson, Director of Financial Aid/Veteran's Affairs and Scholarships*

*Estimated Completion Date: January 30, 2015*

*Management Plan for Corrective Action for James Madison University*

*The Office of the Registrar at James Madison University will begin sending degree files to the NSLDS every 30 days, instead of three times per year.*

*Responsible Party: Michele White, University Registrar*

*Estimated Completion Date: Complete*

**2014-090: Improve Reporting to the Common Origination and Disbursement System (COD)**

*Applicable To: Blue Ridge Community College, J. Sargeant Reynolds Community College, New River Community College, Southwest Virginia Community College, and James Madison University*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Special Test and Provisions - 78 FR 40733 and 78 FR 40734

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

These institutions did not submit timely, and in some cases accurate, information to the Common Origination and Disbursement system (COD) during fiscal year 2014.

During the audit of Blue Ridge Community College, we selected a sample of thirty-five students receiving Pell disbursements. For one student, staff did not submit origination information timely. For thirty-four students, although submitted timely, the COD disbursement date did not match the actual Blue Ridge Community College disbursement date. The order of the Pell files were modified causing the anticipated disbursement date field to be used rather than the actual disbursement date field.

In three of the 40 accounts reviewed (7.5 percent) at J. Sargeant Reynold Community College, the College sent disbursement updates to COD before the actual disbursement had been made due to a default setting in PeopleSoft that should have been manually changed. In addition, in one instance, the College sent disbursement updates to COD well past the required timeframe because updates were not run in a timely fashion.

For 1,324 students in Spring 2014, New River Community College sent disbursement files to COD early to ensure accuracy before running the disbursement process with the Business Office. The subsequent run date of the disbursement process in the Student Information System resulted in noncompliance with the COD disbursement provisions.

Additionally, Southwest Virginia Community College did not pull in response files from COD timely which resulted in failed transmission of student disbursement information to COD and untimely submission of disbursement data to COD. Manual adjustments were made outside of the system, which is a practice not advised by the VCCS central office. Additionally, the Financial Aid Office did not update the disbursement dates in COD when disbursing federal aid to students. Southwest used pre-set disbursement dates in COD for summer, fall and spring semesters. The College used these pre-set dates for 23 of 41 students sampled (56 percent).

Lastly, James Madison University reported disbursement information for six students to COD 20 days prior to disbursing the financial aid, which represents noncompliance with regard to COD reporting requirements.

In accordance with 78 Federal Register 40733, institutions cannot report disbursements to COD seven days or more before actual disbursement. Additionally, 78 FR 40734, requires institutions to submit student payment data to the Department of Education via COD no later than 15 calendar days after making the disbursement or becoming aware of the need to adjust a student's previously reported disbursement. Failure to comply may result in an audit or program review finding or the initiation of an adverse action, such as a fine or other penalty for such failure, in accordance with subpart G of the General Provisions regulations in 34 CFR part 668.

The institutions should adjust existing procedures to ensure timely and accurate reporting to COD in accordance with federal regulations.

*Management Plan for Corrective Action for Blue Ridge Community College*

*Some spring 2014 Pell disbursement dates were reported as the anticipated disbursement date to be used and not subsequently overwritten with the actual disbursement date. The reporting process has been changed to report the actual disbursement date to COD.*

*Responsible Party: Robert Baldygo, Vice President for Finance and Administration*

*Estimated Completion Date: Complete*

*Management Plan for Corrective Action for J. Sargeant Reynolds Community College*

*The College made a change in the Pell Payment setup for Financial Aid Year 2015. As of July 2014, all disbursement records for 2014-15 now report actual disbursement dates, which is now being transmitted to COD.*

*Responsible Party: Kiesha Pope, Director of Financial Aid*

*Estimated Completion Date: Complete*

*Management Plan for Corrective Action for New River Community College*

*The College's Financial Aid Office has made a change to the disbursement process so that PeopleSoft disbursement records report actual disbursement dates which are then transmitted to COD.*

*Responsible Party: Lori Tibbs, Financial Aid Director*

*Estimated Completion Date: July 2014*

*Management Plan for Corrective Action for Southwest Virginia Community College*

*On July 1, 2014, the College formed a Shared Services Agreement with Virginia Highlands Community College to share the financial aid officer position. Management and the Financial Aid Office have made great progress in reporting procedures. Information reported to COD is both timely and accurate. Response files are also pulled and transmitted in a timely manner. No manual adjustments are now being made. Disbursement dates are verified with the dates in the Student Information System and College calendar. Student payment data is reported to the Department of Education via COD within the 15 calendar days and the College remains in compliance. Cross training has occurred with COD reporting and there are two individuals in the office with expertise to perform the required tasks.*

*Responsible Party: Nancy Hope, Financial Aid Coordinator*

*Estimated Completion Date: Complete*

*Management Plan for Corrective Action for James Madison University*

*In an effort to improve this process, JMU not only created a query to show all pending Pell disbursements in PeopleSoft and the corresponding COD disbursement dates and data, but the process was also set to run automatically. The process runs on Mondays. When it has completed, the results are emailed directly to the Assistant Director for Grants and the Technical Analyst. The query result and related file showing that the included students were reviewed – and appropriate action taken – is saved electronically.*

*This process improvement automates the identification of potential problems before they become compliance issues.*

*Responsible Party: Lisa Tumer, Director – Office of Financial Aid and Scholarships*

*Estimated Completion Date: Complete*

**2014-091: Improve Notification of Awards to Students**

*Applicable To: Dabney S. Lancaster Community College, J. Sargeant Reynolds Community College, New River Community College, and Thomas Nelson Community College*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Special Test and Provisions - 34 CFR §668.165(a)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

These institutions are not properly notifying students of Title IV awards. The institutions are required to provide written notification to students including important details on timing and method of disbursement and for Direct Loans, the rights, options, and requirements of the student loan.

Dabney S. Lancaster Community College does not include the date and amount of disbursement when providing notification to students receiving Direct Loans. The Financial Aid Office was not aware that this information should be included in the loan notifications to the students.

For a sample of 40 students receiving Title IV aid at J. Sargeant Reynolds Community College, nine students included in the audit sample (22.5 percent) did not receive an award notification letter from the College. While the College generates a notification letter from the Department of Education that includes these requirements, the College must provide a separate letter, notifying students of the disbursement.

Additionally, for six students tested at New River Community College, loan notifications were sent more than seven days after disbursement of funds to the student. Direct loan notification dates posted on PeopleSoft were outside of the compliance date range for Fall 2013 because the Financial Aid Office wanted to ensure disbursements had been process by the Business Office before sending them. The Business Office did not disburse Direct Loan funds until the 7th day of the compliance range, so notifications were sent one day after. Loan notifications were delayed for the Spring 2014 semester because the College was closed for inclement weather on March 3rd, and was on delayed opening on March 4th.

Lastly, for 26 of 96 awards reviewed at Thomas Nelson Community College (27 percent), the College sent the notice of Financial Aid after the required timeframe. Staff workload was the primary cause for the delay in sending the notifications.

Code of Federal Regulations, Title 34 CFR §668.165(a), requires institutions, prior to disbursing Title IV, HEA Funds for any award year, to notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loans or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. Additionally, 34 CFR §668.165 (3) (i – ii) indicates that for direct loans the institution must provide the notice in writing no earlier than 30 days before, and no later than 30 days after, crediting the student’s account at the institution, if the institution obtains affirmative confirmation and no later than seven days if the institution does not obtain an affirmative confirmation.

Not properly notifying students in accordance with Federal Regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs. Additionally, improper notification could limit the amount of time a student or parent has to make an informed decision on whether to accept or reject a loan. The institutions should review their current processes to ensure compliance with notification requirements for Title IV awards.

*Management Plan for Corrective Action for Dabney S. Lancaster Community College*

*Effective Summer 2014, the College added detailed Student Information System navigation instructions to the Direct Loan Disbursement Announcement emails so that students are able to login and verify their loan amounts. The date of the loan disbursement is also included in the email. The emails are sent out prior to disbursing the loans.*

*Responsible Party: Joy Broyles, Financial Aid Coordinator*

*Estimated Completion Date: Complete*

*Management Plan for Corrective Action for J. Sargeant Reynolds Community College*

*The College has now established an automated process to run award notices weekly. In addition to this action, the Financial Aid Office will run reports to both verify and ensure that all students have received an award notice.*

*Responsible Party: Kiesha Pope, Director of Financial Aid*

*Estimated Completion Date: Complete*

*Management Plan for Corrective Action for New River Community College*

*The Financial Aid Office now sends Loan Notifications to students once approval has been received from Common Origination and Disbursement (COD) to ensure compliance with the required timeframe instead of waiting until the Business Office*

*finalizes disbursement. This also ensures delays for inclement weather will be significantly shortened.*

*Responsible Party: Lori Tibbs, Financial Aid Director*

*Estimated Completion Date: October 1, 2014*

*Management Plan for Corrective Action for Thomas Nelson Community College*

*The College has implemented a weekly financial aid notification to all students receiving financial aid. The College will be developing a mail merge process to notify student loan borrowers of their pending disbursements within the federally prescribed time period.*

*Responsible Party: Kathryn Anderson, Director of Financial Aid/Veteran's Affairs and Scholarships*

*Estimated Completion Date: Complete*

**2014-092: Improve Internal Control Environment**

*Applicable To: Southwest Virginia Community College and Virginia Western Community College*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Other - 34 CFR §668.16 and 34 CFR §685.309(a)(1)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Southwest Virginia Community College (SWCC) and Virginia Western Community College (VWCC) did not adequately cross-train financial aid employees and lacked an adequate contingency plan in the event key financial aid employees took a leave of absence or were no longer able to perform their required duties. Additionally, VWCC does not have written policies and procedures for updating the Common Origination and Disbursement System (COD), and procedures for identifying withdrawals or determining if a Title IV recipient began attendance, completed the period, or should be treated as a withdrawal.

Code of Federal regulations, Title 34 CFR §685.309 (a)(1) requires participating schools to establish and maintain proper administrative fiscal procedures. The A-102 Common Rule and OMB Circular A-110 require that non-federal entities receiving federal awards establish and maintain

internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Additionally, in accordance with 34 CFR §668.16, institutions are required to use “an adequate number of qualified persons to administer the Title IV, HEA Programs in which the institution participates” and the institution will administer “Title IV, HEA programs with adequate checks and balances in its system of internal controls.”

The acting SWCC Financial Aid Officer attempted to cross-train employees but this was not sufficiently performed for the fiscal year under audit. During the fiscal year, the financial aid staff included only one trained employee with the working knowledge of critical functions of financial aid. Remaining financial aid employees lacked sufficient knowledge of the complete financial aid process and how to perform daily activities.

The VWCC Financial Aid Office follows desktop procedures, published by VCCS, for updating COD. These procedures are general to the Virginia Community College System and may not capture the specific processes applicable to VWCC. Without sufficiently documented procedures, staff may be unaware of federal requirements for reporting to COD. Additionally, there is currently only one employee trained to complete Return of Title IV calculations.

Insufficient cross-training results in financial aid employees, who are unable to perform duties outside the scope of their daily roles, and unable to perform key financial aid processes in the event of the responsible employee taking a leave of absence.

We recommend the VWCC Financial Aid Office develop written procedures for updating COD and enhance existing procedures for Return of Title IV. We recommend that the Financial Aid Office designate a back-up for Return of Title IV calculations and cross-train this employee to ensure continuity in operations in the event of an unexpected or prolonged leave of absence.

Following an extended absence of the Financial Aid officer, SWCC formed a Shared Services Agreement with Virginia Highlands Community College, thereby filling the Financial Aid Officer position as of July 1, 2014. Staff at Virginia Highlands Community College have been working to cross-train employees at SWCC to ensure proper understanding of how to perform critical duties in the absence of key financial aid employees. Management is working to develop employee work profiles that are reflective of respective financial aid staff duties and creating training plans. We recommend management at SWCC continue to devote resources to ensure an adequate control environment, by enhancing procedures and training to ensure continuity in operations in the event of an absence of key employees.

*Management Plan for Corrective Action for Southwest Virginia Community College*

*As noted in the recommendation, SWCC filled the Financial Aid Officer position in July 2014, and is working to cross-train employees to ensure proper understanding of critical duties in the absence of key employees.*

*Responsible Party: Financial Aid Officer*

*Estimated Completion Date: February 15, 2015*

Management Plan for Corrective Action for Virginia Western Community College

*The Virginia Western Financial Aid Office will update the Policy and Procedure Manual to include more detailed procedures for Return to Title IV and updating COD. As of January 2015, the Office has begun training a staff member on Return to Title IV policies and procedures, so that back up is available for Return to Title IV calculations.*

*Responsible Party: Chad Sartini, Financial Aid Coordinator*

*Estimated Completion Date: April 30, 2015*

**2014-093: Reconcile Federal Funds Accounts**

*Applicable To: New River Community College and Southside Virginia Community College*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Cash Management - 34 CFR §676.16(c), 34 CFR §676.19, and 34 CFR §668.24

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

New River Community College and Southside Virginia Community College did not adequately document reconciliations of the federal G5 system drawdowns to the Colleges' accounting records. Additionally, New River Community College did not record multiple deposits, totaling \$308,410, in its accounting system. The College used the wrong program code when initially drawing these funds and returned the funds to the Department of Education under the correct program code.

Code of Federal Regulations Title 34 CFR §676.16(c) indicates that an institution must administer its Title IV programs with adequate checks and balances in its system of internal controls. This includes, as defined in 34 CFR §676.19 a requirement to establish and maintain program and fiscal records that are reconciled at least monthly. In addition, 34 CFR §668.24 requires that an institution shall establish and maintain on a current basis, 1) financial records that reflect each HEA, title IV program transaction, and 2) general ledger control accounts and related subsidiary accounts that identify each title IV, HEA program transaction and separate those transactions from all other institutional financial activity.

Without consistent, proper reconciliation of the systems involved with the Student Financial Aid function, there is an increased risk of undiscovered and unresolved errors, fraudulent behavior, and misuse of federal funds. The colleges should dedicate the necessary resources to properly

complete and document the reconciliation of G5 Activity Reports to the accounting records. New River Community College should ensure that all transactions are promptly recorded in the College's accounting system to aid in the reconciliation of Title IV funds and help prevent overdrawing, deposit corrections, and refunds of federal funds.

*Management Plan for Corrective Action for New River Community College*

*Procedures have been implemented to improve the documentation and reconciliation processes and to ensure that all transactions are promptly recorded in the College's accounting system to prevent deposit corrections and incorrect program codes. The Financial Aid Assistant provides a report on the COD and Student Information System balances to the Human Resources and Business Operations Manager on a monthly basis. These balances are then reconciled to AIS, the College's accounting system, and to the Department of Education G5 system. The Student Account Specialist ensures all drawdowns and returns are adequately recorded in the College's accounting system. Procedures for these transactions have been documented. Once reconciliations are complete, copies are sent to Financial Aid for their records.*

*Responsible Party: Melissa Anderson, Human Resources and Business Operations Manager*

*Estimated Completion Date: March 31, 2015*

*Management Plan for Corrective Action for Southside Virginia Community College*

*Procedures have been implemented to improve the documentation process. The Financial Specialist will maintain all necessary documentation supporting the reconciliation of the federal G5 system to AIS, the College's accounting system. The Business Manager will sign off on the reconciliation as part of the review process.*

*Responsible Party: Juanita Grizzard, Business Manager and Sally Tharrington, Financial Aid Director*

*Estimated Completion Date: December 18, 2014*

**2014-094: Improve Procedures Over Cost of Attendance Calculations**

*Applicable To: J. Sargeant Reynolds Community College*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Eligibility - 34 CFR §690.80

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

J. Sargeant Reynolds Community College did not update the cost of attendance calculations for a number of students who dropped credit hours before the end of the college's official add/drop date. These miscalculations caused, in some cases, overpayment of federal financial aid.

Code of Federal Regulations, 34 CFR §690.80 defines and gives guidance on the methodology for calculating the cost of attendance that an institution should apply to student accounts if the student has a change in enrollment status. The College has updated policies and procedures on assigning the correct cost of attendance to each student account.

Assigning the correct cost of attendance to each student account ensures that the actual total award amount disbursed to a student does not exceed the student's financial need and/or federal maximum loan limits.

Assigning cost of attendance is an automated process in Peoplesoft. The FA term field drives the process of assigning the budgeted amount to students and this function was not updating correctly. The College should ensure that there are automated or manual checks in place to ensure that these functions are being properly updated.

**Management Plan for Corrective Action for J. Sargeant Reynolds Community College**

*As of May 2014, the College has resolved this issue by correcting the inaccurate FA Term field resulting in a reliable FA Term report. In addition to using a corrected report, the College now utilizes a report that provides the actual number of credits for which a student is registered and compares this to the award amount in our student information system. Finally, these reports are tested throughout the academic year to ensure proper function.*

*Responsible Party: Kiesha Pope, Director of Financial Aid*

*Estimated Completion Date: Complete*

**2014-095: Promptly Disburse Title IV Funds**

*Applicable To: New River Community College*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Cash Management – 34 CFR §668.162(b)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

New River Community College (the College) did not disburse timely Title IV funds totaling \$2,609,045 to students or parents after receiving the funds from the U. S. Department of Education. Instead, the College disbursed the funds four business days after receiving the funds.

Code of Federal Regulations Title 34 CFR §668.162(b) requires institutions to disburse Title IV funds to students or parents by the end of the third business day following the date the institution received the funds from the U.S. Department of Education. If the funds are not disbursed within three business days, the institution is considered to be holding excess cash and is subject to excess cash tolerance rules defined in 34 CFR §668.166.

The Business Office should promptly disburse Title IV funds upon receiving them from the U. S. Department of Education to help prevent the College from having excess cash. The consequences of maintaining excess cash include, but are not limited to, the U. S. Department of Education providing funds to the College using the reimbursement payment method or cash monitoring payment method.

**Management Plan for Corrective Action for New River Community College**

*The Human Resources and Business Operations Manager draws down funds as requested by the Student Accounts Specialist. At that point, the Student Accounts Specialist is notified that the funds are available for disbursement through a newly created checklist. This checklist is part of a packet that will be hand-delivered to the Student Accounts Specialist with the date of drawdown noted. The Human Resources and Business Operations Manager will also, at that point, enter a tickler into both outlook calendars to ensure the checklist is completed (funds disbursed and posted) within 3 days of date of drawdown. The Student Accounts Specialist must return the checklist with all information completed by the three day deadline to the Human Resources and Business Operations Manager for final verification of completion.*

*Responsible Party: Melissa Anderson, Human Resources & Business Operations Manager*

*Estimated Completion Date: Complete*

**2014-096: Properly Perform Drawdowns of Federal Student Aid Funds**

*Applicable To: Thomas Nelson Community College*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Cash Management – 34 CFR §668.162(d)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Thomas Nelson Community College (TNCC) improperly requested \$3,422,115 in excess funds from the Department of Education during its standard drawdown process. TNCC follows a reimbursement method for financial aid drawdowns in which the college first disburses financial aid to students and then requests a drawdown amount equal to the awarded financial aid.

In accordance with Code of Federal Regulations, 34 CFR §668.162(d), under the reimbursement payment method – an institution seeks reimbursement by submitting to the Secretary a request for funds that does not exceed the amount of the actual disbursements the institution has made to students and parents included in that request

The auditor reviewed seven drawdowns and noted that one drawdown exceeded the required drawdown amount by \$3,422,115. An error in the calculation used to determine the amount of funds to drawdown caused the drawdown of excess funds. The College discovered this error during the subsequent month's reconciliation process and returned the excess funds to the Department of Education.

TNCC's Business Office has taken corrective measures to address this issue by analyzing workload of Financial Services staff and adjusting roles and responsibilities to reduce the risk of human error. We recommend that TNCC continue this process to ensure proper management of federal funds.

**Management Plan for Corrective Action for Thomas Nelson Community College**

*A plan was developed and implemented in March 2014 with the creation and subsequent hiring of a full-time financial aid accountant. This position is responsible for completing reconciliations of the various financial aid programs. After a thorough analysis, Thomas Nelson Community College examined workload/workflow and management determined some enhancements were needed in the student accounting area. Financial services staff discovered the need, due to an increased workload, to create a position directly related to financial aid and veteran affairs disbursements.*

*Responsible Party: Teresa Bailey, Associate Vice President of Financial Services*

*Estimated Completion Date: Complete*

**2014-097: Return Unclaimed Aid to Department of Education within Required Timeframe**

*Applicable To: James Madison University*

**Federal Program Name and CFDA#:** Student Financial Assistance Programs - 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.408, 93.925

**Federal Award Number and Year:** Student Financial Aid (2014)

**Compliance Requirement:** Special Test and Provisions - 34 CFR §668.164(h)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

James Madison University did not return unclaimed Title IV funds within 240 days for six of ten students tested. Specifically, the University took up to 262 days before returning the funds to the Department of Education. The University allowed too much time for students to respond to due diligence efforts before requesting funds from the State Treasury to return to the U.S. Department of Education.

Code of Federal Regulations Section 34 CFR §668.164(h) requires the University to return unclaimed financial student aid funds to the Federal program or lender within 240 days of issuing a refund check to a student.

Upon discussing the delays with University Business Office, staff should reduce the amount of time allowed for students to respond to due diligence efforts once the funds are returned to the University by its third party refund processor. Reducing the allowable student response time for due diligence efforts will help ensure compliance with federal regulations.

**Management Plan for Corrective Action for James Madison University**

*JMU outsources the student refund process to a third party vendor starting with the summer 2013 semester. It is the University's desire to take any and all actions to assure that all student receive their refunds.*

*Students who have made an "active" refund selection of a paper check with the vendor will be contacted repeatedly if the check remains uncashed for a period of up to 180 days. During this period, the University Business Office will use the vendor's reporting to identify students with outstanding checks and will also attempt to reach the student by email. After 180 days, the funds will be returned to JMU and the University Business Office will notify the student by email until the 219th day, after which the University Business Office will advise the Financial Aid Office to return the funds.*

*Students who have not made an "active" refund selection with the vendor and have not responded to requests to set up a refund preference, will be mailed a paper check after 21 days. If the check remains uncashed, the funds will be returned to JMU and the University Business Office will continue to contact the student until the 219th day, after which the Financial Aid Office will return the funds.*

*Responsible Party: Linda Combs, Director – University Business Office*

*Estimated Completion Date: Complete*

## U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

2014-022	<u>Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls</u>
2014-023	<u>Implement and Monitor a Change Management Process for Sensitive Applications</u>
2014-026	<u>Identify a Backup for Medicaid Management Information System Administration and Document the Process</u>
2014-027	<u>Correct Operating Environment and Security Issues Identified by their Security Compliance Audit</u>
2014-039	<u>Improve Access Reviews of the Medicaid Management Information System</u>
2014-040	<u>Create Formal Documentation that Facilitates Controlling Privileges in the Medicaid Management Information System</u>
2014-041	<u>Strengthen Financial System Application Access</u>
2014-042	<u>Confirm that Application Access is Appropriate</u>
2014-046	<u>Review User Accounts and Privileges for Mission Critical Systems</u>
2014-057	<u>Rates Used by the System Should be Supported by a Signed Contract with the Same Rates</u>

Each of these findings represents a compliance finding that could be material to the basic financial statements and are required to be reported under Government Auditing Standards. These findings relate to both the financial statements and federal awards. The details of these findings are reported within the section entitled "*Financial Statement Findings*."

### 2014-098: Complete FFATA Reporting for Preparedness Grants

*Applicable To: Department of Health*

**Federal Program Name and CFDA#:** Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - 93.074

**Federal Award Number and Year:** 5 U90 TP000558-2 (2014)

**Compliance Requirement:** Reporting - 2 CFR §170

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Health's Office of Emergency Preparedness and Response has not correctly submitted Federal Funding Accountability and Transparency Act (FFATA) reporting for CFDA #93.074 Health Emergency Preparedness and Public Health Emergency Preparedness Aligned Cooperative Agreements. Currently Health has only submitted FFATA data through the month of August 2013.

FFATA and 2 CFR §170 require Health to submit FFATA reporting no later than the month following the month in which Health awards \$25,000 or more in federal funds to a subrecipient. Failure to comply with FFATA limits the federal government and taxpayers' ability to know which entities are receiving federal funds through Health.

According to management, due to issues with incorrect Data Universal Numbering System (DUNS) numbers they are unable to complete FFATA reporting timely.

Health should complete FFATA reporting as required. Management should work with appropriate federal contacts to correct the DUNS number issues and ensure accurate and timely reporting.

*Management Plan for Corrective Action for Department of Health*

*The 2014 FFATA report for PHEP/HPP was submitted on October 28th by the work unit. We are still working with the federal reporting entity and the VDH Office of Financial Management to correct the DUNS number discrepancy in the federal reporting system.*

*Responsible Party: Kim Allan, Operations Director*

*Estimated Completion Date: Completed*

**2014-099: Ensure Compliance with the Federal Funding Accountability and Transparency Act**

*Applicable To: Department of Social Services*

**Federal Program Name and CFDA#:** Child Care and Development Block Grant - 93.575

**Federal Award Number and Year:** Multiple (2014)

**Compliance Requirement:** Reporting - FFATA and 2 CFR §170

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Social Services did not complete its fourth quarter financial reporting required by the Federal Funding Accountability and Transparency Act (FFATA). Based on a review of information reported on the FFATA Subaward Reporting System (FSRS), we were not able to locate any reporting done for the June 30, 2014, quarter for Foster Care, the Child Care Development Fund, or the Social Services Block Grant.

FFATA and 2 CFR §170 require Social Services to report information to the federal government for awards of certain federal funds that Social Services makes to subrecipients.

Failure to comply with FFATA and corresponding regulations prevents the federal government and taxpayers from knowing which entities are receiving federal funds through Social Services.

Due to turnover within the Federal Grants Reporting unit within the Division of Finance during July 2014, the June 30, 2014, quarterly FFATA reporting was not completed as required.

Social Services should ensure that all required reporting is done completed within the established timeframes as required by FFATA.

*Management Plan for Corrective Action for Department of Social Services*

*The manager of the Federal Grant Reporting Unit will create a master list of all routine federal reports that are submitted by due date and assigned staff members. FFATA will be included on this list.*

*Responsible Party: Mike Gump, Chief Financial Officer*

*Estimated Completion Date: March 31, 2015*

**2014-100: Evaluate Existing Contracts Using Required Procurement Principles**

*Applicable To: Virginia Health Workforce Development Authority*

**Federal Program Name and CFDA#:** Affordable Care Act (ACA) State Health Care Workforce Development Grants - 93.509

**Federal Award Number and Year:** T55HP20285 9/30/2010-9/29/2014 (2010-2014)

**Compliance Requirement:** Procurement and Suspension and Debarment - 2 CFR part 215

**Known Questioned Costs:** \$64,185

**Type of Finding:** Internal Control and Compliance

Virginia Health Workforce Development Authority (VHWDA) has no evidence of how three contractors were selected. VHWDA paid a total of \$64,185 to these contractors. Additionally, for one of these contractors, VHWDA did not have a signed contract. Recipients of Federal awards should use procurement procedures that conform to applicable federal law and regulations and standards identified in the A-102 Common Rule or OMB Circular A-110 (2 CFR part 215), as applicable.

According to management, VHWDA was not aware that the federal government required grantees to use procurement procedures that conform to federal regulations. Without evidence of how VHWDA selected its contractors, entities granting funds to VHWDA may disallow related expenses. VHWDA should evaluate contracts using required procurement principles.

Management Plan for Corrective Action for Virginia Health Workforce Development Authority

VHWDA management will follow procurement procedures that conform to applicable federal law and regulations and standard identified in the A-102 Common Rule or OMB Circular A-110 (2 CFR part 215), as applicable.

Responsible Party: Erin E. Wittwer, Interim Executive Director

Estimated Completion Date: December 31, 2014

## U.S. DEPARTMENT OF LABOR

- 2014-001 Allocate Adequate Resources to Reduce IT Security Risk
- 2014-002 Improve Organizational Placement of Information Security Officer
- 2014-003 Maintain Oversight Over the Information Security Program
- 2014-004 Upgrade Unsupported and Vulnerable Operating Systems
- 2014-058 Continue to Strengthen Tax - Wage Reconciliation Processes
- 2014-070 Confirm VABS is Calculating Maximum Benefit Amount Consistently for All Claimants
- 2014-071 Withhold Child Support Obligations from Benefit Adjustment Payments

Each of these findings represents a compliance finding that could be material to the basic financial statements and are required to be reported under Government Auditing Standards. These findings relate to both the financial statements and federal awards. The details of these findings are reported within the section entitled "*Financial Statement Findings*."

### 2014-101: Review Policies over Benefit Overpayment Reviews

*Applicable To: Virginia Employment Commission*

**Federal Program Name and CFDA#:** Unemployment Insurance - 17.225

**Federal Award Number and Year:** UI252351460A51 (2014)

**Compliance Requirement:** Other - OMB A-133 .300(B)

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

The Commission needs to review policies over benefit overpayment case reviews and ensure adequate resources are allocated to this process. Currently, the Benefit Payment Control Unit (Payment Control Unit) manager is not conducting these case reviews in accordance with policies and procedures. The Commission has not evaluated the current policy or resources in light of

organizational changes and significant caseload increases. We believe this has impacted the manager's ability to conduct and document these reviews in accordance with policies and procedures.

Investigators staffed throughout the State review potential benefit overpayments cases identified by the Payment Control Unit. Under the current policy, the Payment Control Unit manager is responsible for reviewing ten benefit overpayment cases for each investigator monthly to ensure the investigators followed federal and state regulations. The Commission implemented this policy many years ago at a time when there were only four investigators and they reported to regional offices. Currently, there are ten investigators who report to the Payment Control Unit manager. Although it is our understanding the Payment Control Unit manager is performing these monthly case reviews, we could not confirm this because he does not maintain adequate documentation to support all reviews.

OMB Circular A-133 .300(b) requires auditees to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. The Payment Control Unit manager cannot demonstrate that the Commission has maintained proper oversight over overpayment investigations without maintaining documentation to support all of its reviews.

The Commission needs to evaluate the current policy over benefit overpayment case reviews and determine if the policy should be modified based on current operations, risks, and overpayment activity. Once the Commission has either implemented a new policy or reaffirmed existing policy, management should commit adequate resources to confirm that it implements the policy effectively and complies with federal and state regulations.

*Management Plan for Corrective Action for Virginia Employment Commission*

*Management will evaluate the current policy related to benefit overpayment case reviews and determine if the policy should be modified based on current operations, risks, and overpayment activity. Based on the results of this evaluation, the Division Director will ensure adequate resources will be committed for the effective implementation of changes in operations.*

*Responsible Party: William Walton, UI Director*

*Estimated Completion Date: June 30, 2015*

## U.S. DEPARTMENT OF TRANSPORTATION

### **2014-102: Improve Controls over Sub-recipient Monitoring**

*Applicable To: Department of Transportation*

**Federal Program Name and CFDA#:** Highway Planning and Construction Cluster – 20.205, 20.219, 23.003

**Federal Award Number and Year:** Various (Various)

**Compliance Requirement:** Subrecipient Monitoring - OMB A-133 Subpart D \_\_.400, 1 & 6

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Transportation does not have the proper controls in place to ensure that sub-recipients are providing accurate information for federal awards. During our review, we found that Transportation had not provided the Catalog of Federal Domestic Assistance (CFDA) numbers to sub-recipients and that Transportation had not performed a reconciliation of sub-recipients' audited financial records to its own accounting records.

According to Section 400 of the Office of Management and Budget (OMB) Circular A-133, pass-through entities are required to "identify federal awards made by informing each recipient of the CFDA title and number..." within the award documents provided to the sub-recipients. In addition, the same section of OMB Circular A-133 requires that pass-through entities "consider whether sub-recipient audits necessitate adjustment of the pass-through entity's own accounting records."

The CFDA number is not included as part of Transportation's standard sub-recipient agreement because funds are generally only disbursed from one CFDA therefore it is assumed that the sub-recipient is aware of the CFDA number. The issue of CFDA inclusion was not reported in the prior year. Although some progress has been made, Transportation has still not been able to easily reconcile to sub-recipients audited records due to timing differences between when the locality makes the expenditures to when Transportation receives the reimbursement request from the sub-recipient and makes payment. This issue was reported in the prior year.

Without providing the correct information to sub-recipients and performing a reconciliation of the audited sub-recipient financial reports to its own accounting records, Transportation cannot ensure that all expenditures of federal awards are reported properly.

We recommend that Transportation alter its award documents to include CFDA and all pertinent information regarding the award to the sub-recipients and perform reconciliations of sub-recipient records with its own accounting records. This will decrease the risk of any improper reporting of federal awards and help to ensure that all OMB Circular A-133 audits are performed as required.

Management Plan for Corrective Action for Department of Transportation

1. *Local Assistance Division will include the CFDA number and guidance on subreporting in the Locally Administered Projects Manual. The CFDA will also be referenced on the appendix of the project agreement. This will be completed by March 31, 2015.*
2. *The Assurance and Compliance Office (“ACO”) will continue to work with the pass-through entities to obtain and/or perform reconciliations between the fiscal year sub-recipient records, which should support all “Pass through payments” contained in the Schedule of Expenditures of Federal Awards, and the Virginia Department of Transportation (“VDOT”) Cardinal financial expenditure records. The reconciliations for all FY 2013 reports will be reconciled by June 30, 2015. Subsequent reconciliations will be completed within six months after the ACO receives the subrecipient's audit report. The ACO will also work with VDOT's Fiscal Division Administrator for a long term solution which could facilitate an ongoing reconciliation by the pass-through entity. This could assist both ACO and the sub-recipients in identifying any differences in reporting in a timely manner.*

*Responsible Party: Jennifer DeBruhl, Director of Local Assistance (CFDA item)  
Bradley Gales, Assurance and Compliance Office Director  
(reconciliation item)*

*Estimated Completion Date: June 30, 2015*

**2014-103: Improve Controls over FFATA Reporting**

*Applicable To: Department of Transportation*

**Federal Program Name and CFDA#:** Highway Planning and Construction Cluster – 20.205, 20.219, 23.003

**Federal Award Number and Year:** Various (Various)

**Compliance Requirement:** Reporting - Federal Funding Accountability and Transparency Act and 2 CFR §170

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control and Compliance

Transportation does not have sufficient internal controls over transparency reporting to ensure that all sub-grants are reported to the federal transparency website. Transportation has

made some improvements to this process however the improvements were not completed until the end of the fiscal year. During our review, we found several federal awards for which Transportation could not provide evidence that the sub-grant was reported in accordance with the Federal Financial Accountability and Transparency Act (FFATA).

FFATA and 2 CFR §170 require Transportation to report certain information to the federal government for awards of federal funds that Transportation makes to sub-recipients. Failure to comply with FFATA and corresponding regulations prevent the federal government and taxpayers from knowing which entities are receiving federal funds through Transportation.

Transportation uses manual spreadsheets to track reporting. A spreadsheet with the awards Transportation received is sent to three different divisions and each division indicates which awards were sub-awarded. However, for awards which no division sub awarded there is no assurance that this award was in fact a Transportation administered project and not just overlooked.

As we pointed out in our review of FFATA reporting in the prior year, Transportation should improve the processes for identifying and reporting sub-grants to ensure that all sub-grants are reported.

*Management Plan for Corrective Action for Department of Transportation*

*As noted by APA, process improvements were implemented in June 2014 in response to the FY 2013 audit. Additional improvements have been implemented in December 2014 to identify and address potential errors.*

*Responsible Party: Janice Long, Controller*

*Estimated Completion Date: December 31, 2014*

**2014-104: Comply with the Code of Federal Regulations**

*Applicable To: Department of Transportation*

**Federal Program Name and CFDA#:** Highway Planning and Construction Cluster – 20.205, 20.219, 23.003

**Federal Award Number and Year:** Various (Various)

**Compliance Requirement:** Special Test and Provisions - 23 CFR §645.215

**Known Questioned Costs:** \$0

**Type of Finding:** Compliance

Transportation has not obtained the proper approval of their Utility Accommodation Policy (UAP) by the Federal Highway Administration (FHWA). Per the Code of Federal Regulations, 23 CFR

§645.215, state departments of transportation are required to develop, maintain, and obtain FHWA approval of their UAP.

Without a properly approved UAP, Transportation increases the risk that expenses incurred for relocating utility facilities would not be eligible for reimbursement.

Over the past two years, Transportation has been developing a comprehensive policy to consolidate their UAP with their Land Use Permit Regulations Policy. During state fiscal year 2014, this process was completed and the consolidated policy now serves as the official UAP. As a result of this consolidation, numerous changes were made to the UAP and, as of the time of our review, Transportation had not obtained approval from FHWA.

Transportation should obtain the proper approvals of their policies from the federal government, where applicable, prior to the implementation of such policies. This will ensure compliance to the Code of Federal Regulations. Since the completion of our audit and the date of this report, Transportation has obtained the proper approval of this policy.

*Management Plan for Corrective Action for Department of Transportation*

*The Federal Highway Administration approved the Utility Accommodation Policy on December 12, 2014.*

*Responsible Party: Marsha Fiol, Division Administrator*

*Estimated Completion Date: December 12, 2014*

## U.S. DEPARTMENT OF THE TREASURY

### **2014-105: Strengthen Procedures for Administering Federal Programs**

*Applicable To: Office of the Attorney General and Department of Law*

**Federal Program Name and CFDA#:** Treasury Asset Forfeiture Equitable Sharing Program - 21.000

**Federal Award Number and Year:** N/A (2013)

**Compliance Requirement:** -

**Known Questioned Costs:** \$0

**Type of Finding:** Internal Control

Our review of the Office of the Attorney General's (Office) administration of the Federal Treasury Equitable Sharing Program identified weaknesses in the agency's internal controls for administering federal programs specifically related to the receipt of settlement funds. The Office's initial failure to identify these funds as a federal grant award created a misperception of how to properly account for the funds in the Commonwealth Accounting and Reporting System (CARS) and

created a lack of clarity in the agency's understanding of its requirements under the Office of Management and Budget (OMB) Circular A-133. Inadequate administration of federal awards may result in erroneous accounting, noncompliance with federal guidelines, and misappropriation of federal funds. We determined, however, that the Office properly utilized federal funds during fiscal year 2014 in accordance with guidance provided by the U.S. Department of the Treasury.

During fiscal year 2014, the Office received \$92.9 million from the U.S. Department of the Treasury's Executive Office for Asset Forfeiture (TEOAF); these funds were part of the 2012 Abbott Laboratories Medicaid fraud settlement and were awarded through the Catalog of Federal Domestic Assistance (CFDA) 21.000 Treasury Equitable Sharing Program. The amount and nature of this award was unprecedented for the Office and the Commonwealth of Virginia. The Office passed through all of the Abbott settlement equitable sharing funds received during fiscal year 2014 to other entities, including other state agencies and local government agencies.

The Commonwealth Accounting Policies and Procedures (CAPP) Manual does not include guidance specific to accounting for equitable sharing funds. Federal equitable sharing funds are considered grant funds. Initially, the Office did not identify these funds as federal grants and erroneously recorded \$65.2 million of federal equitable sharing fund disbursements as revenue refunds in CARS. This is not in accordance with the Commonwealth's policies for federal grants, which requires that federal disbursements be recorded either as expenses or transfers based on the nature of the entity receiving the funds. Improper accounting of funds at this amount could have a material effect on the Commonwealth's Single Audit of federal funds and the Commonwealth's financial statements. By recording the federal grant disbursement as a revenue refund, the Office effectively eliminated these transactions from the Commonwealth's accounting records for financial reporting purposes and, inadvertently, limited the information available regarding the receipt and disbursement of the funds.

Furthermore, weaknesses in the Office's internal controls for administering federal programs resulted in misunderstandings about the agency's compliance requirements in accordance with OMB Circular A-133. Although the Office maintained contact with the TEOAF throughout the award period, the agency did not secure a concrete understanding of its requirements as a federal pass-through entity. Without accurate interpretation and documentation of federal compliance requirements, the Office cannot properly administer its programs in accordance with federal regulations. As noted above, ultimately we determined the Office had performed all required compliance requirements.

The Office should strengthen its process for administering federal programs to ensure that the agency properly accounts for federal funds and has an accurate understanding of all regulations governing federal programs. We recommend the Office develop procedures to evaluate future federal awards to determine whether OMB Circular A-133 guidelines apply. We also recommend that the Office enhance its communications with applicable federal agencies to determine the relevant compliance requirements and obtain official documentation to support these determinations. In addition, by establishing proactive communication with the Department of Accounts to clarify the nature of unique fund sources and how to account for such funds in accordance with the

Commonwealth's guidelines, the Office may eliminate material adjustments and enhance transparency of state spending.

*Management Plan for Corrective Action for Office of the Attorney General and Department of Law*

*At this time all internal control weaknesses identified under the Strengthen Procedures for Administering Federal Programs Audit Finding and recommendation have been resolved by the Office of the Attorney General (Office). In the absence of guidance from the Commonwealth Accounting Policies and Procedures (CAPP), the Equitable Sharing funds were not classified as federal funds. All entries made were corrected within the same Fiscal Year, thus recording the necessary transactions as expenditures and effectively ensuring the transactions are in the Commonwealth's accounting records for financial reporting purposes.*

*The Office did remain in constant contact with the TEOAF, however the Office did fail to obtain the TEOAF's policy decision(s) in writing. The Office will ensure going forward all policy questions, guidance, and interpretation requests are submitted and received in writing to/from the TEOAF or any applicable Federal Agency to ensure the Office has a concrete understanding of any federal pass-through entity requirements.*

*It should be noted, the Office is developing Policy, Procedures, and Guidelines for the Equitable Sharing Program. This will ensure proper recordation and compliance exist in the absence of guidance from the CAPP Topics. Thus ensuring the Office to handle all future Equitable Sharing Funds ensuring compliance with the Commonwealth of Virginia's classification of Equitable Sharing Funds as Federal Funds.*

*Responsible Party: Christie A. Wells*

*Estimated Completion Date: February 27, 2015*

COMMONWEALTH OF VIRGINIA Resolution of Prior Year Audit Findings For the Year Ended June 30, 2014							
Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	State Agency	Questioned Costs	Current Status

**FINANCIAL STATEMENT FINDINGS**

**State Board of Elections**

2010	11	2010-004	Improve Information Systems Security Program	N/A	SBE	-	Resolved
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**Virginia Employment Commission**

2013	59	2013-039	Improve Controls over Benefit Adjustment Payments	N/A	VEC	-	Corrective action is ongoing
2013	61	2013-041	Strengthen Financial Reporting Over Accounts Receivable	N/A	VEC	-	Corrective action is ongoing
2013	63	2013-042	Improve Internal Controls Surrounding Employer Wage Discrepancies	N/A	VEC	-	Corrective action is ongoing
2012	35	2012-027	Resolve Employer Wage Discrepancies Timely	N/A	VEC	-	Corrective action is ongoing
2011	27	2011-015	Resolve Employer Wage Discrepancies Timely	N/A	VEC	-	See Finding Number 2012-027

**University of Virginia**

2013	26	2013-013	Improve User Access Controls	N/A	UVA	-	Resolved
2013	30	2013-014	Strengthen Controls over Termination of Access to Systems and Facilities	N/A	UVA	-	Resolved
2013	56	2013-037	Complete and Approve Reconciliations Timely	N/A	UVA	-	Resolved
2013	60	2013-040	Comply with University Sole Source Policy	N/A	UVA	-	Corrective action is ongoing

**Virginia Commonwealth University**

2013	31	2013-015	Review System Access for Human Resources and Payroll Employees	N/A	VCU	-	Resolved
2013	46	2013-027	Improve Firewall Management	N/A	VCU	-	Resolved
2013	50	2013-031	Improve Change Management	N/A	VCU	-	Resolved
2013	66	2013-045	Improve Capital Asset Inventory Procedures	N/A	VCU	-	Resolved

**Department of Accounts**

2013	33	2013-017	Improve SQL Server Database Security	N/A	DOA	-	Resolved
2013	34	2013-018	Update the Physical Security Policy and Monitor Physical Access to the Data Center	N/A	DOA	-	Resolved
2013	51	2013-032	Improve Financial Reporting and Communication with Agencies	N/A	DOA	-	Resolved

**Department of Taxation**

2013	22	2013-011	Improve Internal Controls over Advantage Revenue Access	N/A	TAX	-	Corrective action is ongoing
2013	55	2013-035	Improve Financial Reporting for Corporate Tax Refund Liability	N/A	TAX	-	Resolved

**Department of Treasury**

2013	57	2013-037	Improve Process for Paying Risk Management Administrative Invoices	N/A	TD	-	Resolved
2013	67	2013-046	Improve Monitoring of Administrative and Compliance Activities	N/A	TD	-	Resolved

**Department of Behavioral Health and Developmental Services**

2013	21	2013-010	Remove Access Promptly Upon Employee Termination	N/A	DBHDS	-	Corrective action is ongoing
2013	33	2013-016	Improve SQL Server Database Security	N/A	DBHDS	-	Corrective action is ongoing
2013	58	2013-038	Record Capital Outlay Budgets and Expenditures in GCPay as Required	N/A	DBHDS	-	Resolved

**Department of Health**

2013	17	2013-007	Implement User Access Controls for ROAP System - CACFP	N/A	VDH	-	Corrective action is ongoing
2013	18	2013-008	Improve Oracle Database Security	N/A	VDH	-	Resolved
2013	19	2013-009	Promptly Remove WebVision Access for Separated Users	N/A	VDH	-	Corrective action is ongoing
2013	41	2013-023	Improve Web Application Security - CACFP	N/A	VDH	-	Corrective action is ongoing
2013	42	2013-024	Maintain Updated Information Systems Inventory - CACFP	N/A	VDH	-	Resolved
2013	65	2013-044	Communicate Responsibilities for ADAP Inventory and Properly Report	N/A	VDH	-	Resolved

COMMONWEALTH OF VIRGINIA								
Resolution of Prior Year Audit Findings								
For the Year Ended June 30, 2014								
Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	State Agency	Questioned Costs	Current Status	
<b>Department of Medical Assistance Services</b>								
2013	10	2013-001	Improve Oracle Access Controls	N/A	DMAS	-	Corrective action is ongoing	
2013	11	2013-002	Improve Access Management to the Medicaid Management Information System	N/A	DMAS	-	Corrective action is ongoing	
2012	19	2012-014	Address Findings in Internal Audit Report	N/A	DMAS	-	Corrective action is ongoing	
<b>Department of Rehabilitative Services<sup>(1)</sup></b>								
2010	15	2010-007	Improve Information Systems Security Program	N/A	DRS	-	Resolved	
<b>Department of Social Services</b>								
2013	13	2013-003	Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls	N/A	DSS	-	Corrective action is ongoing	
2013	14	2013-004	Review User Accounts and Privileges for Mission Critical Systems	N/A	DSS	-	Corrective action is ongoing	
2013	45	2013-026	Improve Oracle Database Security	N/A	DSS	-	Resolved	
2013	47	2013-028	Ensure the New Eligibility System is Properly Handling Cases Transferred from the Old System	N/A	DSS	-	Corrective action is ongoing	
2013	48	2013-029	Automate an Eligibility Control	N/A	DSS	-	Corrective action is ongoing	
2013	49	2013-030	Implement and Improve Change Management Process for Sensitive Applications	N/A	DSS	-	Corrective action is ongoing	
2012	12	2012-004	Create and Implement a Change Management Process for Sensitive Applications	N/A	DSS	-	See Finding Number 2013-030	
<b>State Corporation Commission</b>								
2012	9	2012-001	Transfer Unclaimed Refunds to Unclaimed Property Division	N/A	SCC	-	Resolved	
<b>Virginia College Savings Plan</b>								
2012	26	2012-019	Improve System Access Controls	N/A	VCSP	-	Resolved	
<b>Virginia Retirement System</b>								
2013	64	2013-043	Improve Check Receipt and Deposit Controls	N/A	VRS	-	Resolved	
<b>Virginia State Lottery Department</b>								
2013	35	2013-019	Improve Server Security	N/A	SLD	-	Resolved	
2013	37	2013-020	Improve Firewall Management	N/A	SLD	-	Resolved	
2012	17	2012-012	Update IT Infrastructure Device	N/A	SLD	-	Resolved	
<b>Department of Alcoholic Beverage Control</b>								
2013	38	2013-021	Continue to Improve IT Governance Model and IT Project Prioritization Processes	N/A	ABC	-	Corrective action is ongoing	
2012	28	2012-021	Update IT Risk Management and Contingency Plans	N/A	ABC	-	See Finding Number 2013-021	
2013	40	2013-022	Improve Database Security	N/A	ABC	-	Corrective action is ongoing	
<b>Department of Motor Vehicles</b>								
2013	24	2013-012	Improve User Access Controls	N/A	DMV	-	Corrective action is ongoing	
2012	25	2012-018	Improve User Access Control Across Systems	N/A	DMV	-	See Finding Number 2013-012	
2013	43	2013-025	Improve Database Management System Security	N/A	DMV	-	Corrective action is ongoing	
2012	13	2012-006	Improve Database Security	N/A	DMV	-	See Finding Number 2013-025	
2011	23	2011-012	Improve Database Security	N/A	DMV	-	See Finding Number 2012-006	
<b>Department of Transportation</b>								
2013	15	2013-005	Improve System Access Monitoring and Management	N/A	VDOT	-	Resolved	
2013	16	2013-006	Improve Controls over User Access	N/A	VDOT	-	Resolved	
2013	52	2013-033	Improve Controls over Financial Reporting	N/A	VDOT	-	Corrective action is ongoing	
2012	34	2012-026	Improve Financial Reporting Procedures	N/A	VDOT	-	See Finding Number 2013-033	
2013	54	2013-034	Improve IT Risk Assessment	N/A	VDOT	-	Resolved	

**COMMONWEALTH OF VIRGINIA**  
Resolution of Prior Year Audit Findings  
**For the Year Ended June 30, 2014**

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	State Agency	Questioned Costs	Current Status
<b>FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</b>							
<b>U. S. Department of Agriculture</b>							
2013	68	2013-007	Implement User Access Controls for ROAP System - CACFP(2)	10.558	VDH	-	Corrective action is ongoing
2013	69	2013-008	Improve Oracle Database Security <sup>(2)</sup>	10.557	VDH	-	Resolved
2013	69	2013-023	Improve Web Application Security - CACFP <sup>(2)</sup>	10.558	VDH	-	Corrective action is ongoing
2013	69	2013-047	Improve WICNET Controls over Eligibility - WIC	10.557	VDH	-	Resolved
2013	72	2013-048	Establish Corrective Actions for Federal Findings - WIC	10.557	VDH	-	Resolved
2013	73	2013-049	Improve Controls over Federal Reporting - CACFP	10.558	VDH	-	Corrective action is ongoing
2013	75	2013-050	Improve Controls over Federal Reporting - WIC	10.557	VDH	-	Corrective action is ongoing
2013	76	2013-051	Complete Federal Funding Accountability and Transparency Act Reporting - CACFP	10.558	VDH	-	Corrective action is ongoing
2013	77	2013-052	Complete Federal Funding Accountability and Transparency Act Reporting - WIC	10.557	VDH	-	Resolved
2013	79	2013-053	Complete Sub-recipient Monitoring Reviews - CACFP	10.558	VDH	-	Corrective action is ongoing
2013	80	2013-054	Review Sub-grantee Single Audit Reports and Schedules of Expenditures of Federal Awards - WIC	10.557	VDH	-	Resolved
2013	82	2013-055	Review Sub-recipient Single Audit Reports and Issue Management Decisions - CACFP	10.558	VDH	-	Corrective action is ongoing
2012	47	2012-038	Complete Required Number of Sub-Recipient Reviews	10.558	VDH	-	Corrective action is ongoing
<b>U. S. Department of Education</b>							
2013	84	2013-056	Establish Formal Policies and Procedures for Preparing the SEFA	84.042 84.031	NSU	-	Resolved
2013	85	2013-057	Develop and Implement Policies and Procedures for Adherence to the Davis-Bacon Act	84.031	NSU	-	Resolved
2013	87	2013-058	Properly Calculate and Return Title IV Funds	Student Financial Aid	CNU DCC PHCC PVCC	\$ 27,018.29	Resolved Resolved Corrective action is ongoing Resolved
2013	90	2013-059	Return All Excess Cash to Department of Education within Required Timeframe	Student Financial Aid	RCC	\$ 65,020.52	Resolved
2013	91	2013-060	Improve Documentation of Monthly Reconciliations of Direct Loans	Student Financial Aid	DCC LFCC PVCC	-	Resolved Corrective action is ongoing Resolved
2013	93	2013-061	Develop and Improve Policies and Procedures	Student Financial Aid	DCC LFCC PHCC PVCC	-	Corrective action is ongoing Resolved Corrective action is ongoing Resolved
2013	94	2013-062	Improve Notification of Direct Loan Awards to Students	Student Financial Aid	DCC PVCC	-	Corrective action is ongoing Resolved
2013	95	2013-063	Reconcile Federal Funds Accounts	Student Financial Aid	DCC RCC	-	Corrective action is ongoing Corrective action is ongoing
2013	97	2013-064	Improve Compliance over Enrollment Reporting	Student Financial Aid	TCC	-	Resolved
2012	57	2012-046	Improve Reporting to National Student Loan Data System	Student Financial Aid	CVCC	-	Corrective action is ongoing
2010	39	2010-037	Promptly Return Title IV Refunds	Student Financial Aid Cluster	PHCC	-	Corrective action is ongoing
<b>U. S. Department of Health and Human Services</b>							
2013	98	2013-001	Improve Oracle Access Controls <sup>(2)</sup>	Medicaid Cluster	DMAS	-	Corrective action is ongoing
2013	98	2013-002	Improve Access Management to the Medicaid Management Information System <sup>(2)</sup>	Medicaid Cluster	DMAS	-	Corrective action is ongoing
2013	98	2013-003	Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls <sup>(2)</sup>	Medicaid Cluster	DSS	-	Corrective action is ongoing

COMMONWEALTH OF VIRGINIA Resolution of Prior Year Audit Findings For the Year Ended June 30, 2014							
Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	State Agency	Questioned Costs	Current Status
2013	99	2013-004	Review User Accounts and Privileges for Mission Critical Systems <sup>(2)</sup>	93.563	DSS	-	Corrective action is ongoing
2013	99	2013-028	Ensure the New Eligibility System is Properly Handling Cases Transferred from the Old System <sup>(2)</sup>	93.575 93.596	DSS	-	Corrective action is ongoing
2013	99	2013-029	Automate an Eligibility Control <sup>(2)</sup>	Medicaid Cluster	DSS	-	Corrective action is ongoing
2013	100	2013-030	Implement and Improve Change Management Processes for Sensitive Applications <sup>(2)</sup>	Medicaid Cluster	DSS	-	Corrective action is ongoing
2013	100	2013-065	Perform Health and Safety Inspection as Required	93.575 93.596	DSS	-	Resolved
2013	101	2013-066	Reduce the Time it takes to Match Payments to Case Records	93.658	DSS	-	Resolved
2012	43	2012-033	Further Evaluate Automating the OASIS Reconciliation Process	93.658	DSS	-	See Finding Number 2013-066
2011	31	2011-018	Support Title IV-E Financial Claims in a Client's Case Record	93.658 93.659	DSS	-	See Finding Number 2012-033
2010	48	2010-045	Establish Enforcement Mechanisms for Foster Care and Adoption Payments	93.659	DSS	-	See Finding Number 2011-018
2006	41	2006-033	Establish Control Mechanisms for Foster Care and Adoption Payments	93.658	DSS	-	See Finding Number 2010-045
2005	31	2005-022			DSS	-	See Finding Number 2006-033
2012	42	2012-032	Review Grantee Audited Schedule of Expenditure of Federal Awards	Medicaid Cluster	DSS	-	Resolved
2012	44	2012-034	Work with Federal Government to Eliminate Likely Questioned Costs in the Future	Medicaid Cluster	DSS	\$ 39,620.00	Resolved
2012	45	2012-035	Continue Using Performance Information to Evaluate Policy Changes	Medicaid Cluster	DSS	\$ 900,000.00	Resolved
<b>U. S. Department of Transportation</b>							
2013	102	2013-067	Improve Controls over Sub-recipient Monitoring	Various	VDOT	-	Corrective action is ongoing
2013	104	2013-068	Improve Controls over FFATA Reporting	Various	VDOT	-	Corrective action is ongoing
2012	48	2012-039	Improve Internal Controls Supporting Davis-Bacon Act Compliance	20.205	VDOT	-	Resolved

(1) As of July 1, 2012, the Department for Rehabilitative Services (DRS) became known as Department for Aging and Rehabilitative Services (DARS).

(2) This finding is also in the "Financial Statement Findings" Section of the "Resolution of Prior Year Audit Findings."

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Non-Stimulus:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		\$ 1,040,499	
Direct and Counter-Cyclical Payments Program	10.055		13,804	
Conservation Reserve Program	10.069		28,184	
Federal-State Marketing Improvement Program	10.156		9,474	
Market Protection and Promotion	10.163		18,694	
Farmers' Market and Local Food Promotion Program	10.168		75,843	
Specialty Crop Block Grant Program - Farm Bill	10.170		391,110	
Grants for Agricultural Research, Special Research Grants	10.200			
<i>Pass-Through From University of Florida</i>	10.200			\$ 1,635
Higher Education - Graduate Fellowship Grants Program	10.210		62,917	
Sustainable Agriculture Research and Education	10.215			
<i>Pass-Through From Southern Sustainable Agriculture Research &amp; Education</i>	10.215			10,820
<i>Pass-Through From University of Georgia</i>	10.215			20,728
Higher Education Institution Challenge Grants Program	10.217		257,037	
Higher Education Multicultural Scholars Grant Program	10.220		4,000	
Integrated Programs	10.303			
<i>Pass-Through From North Carolina State University</i>	10.303			57,082
<i>Pass-Through From University of Maryland</i>	10.303			40,846
Homeland Security-Agricultural	10.304			
<i>Pass-Through From University of Florida</i>	10.304			22,971
Specialty Crop Research Initiative	10.309			
<i>Pass-Through From Cornell University</i>	10.309			20,993
Agriculture and Food Research Initiative (AFRI)	10.310		77,811	
<i>Pass-Through From University of Tennessee</i>	10.310			31,147
State Mediation Grants	10.435		18,659	
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443		96,900	
Commodity Partnerships for Small Agricultural Risk Management Education Sessions	10.459		604	
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		1,722,470	
Cooperative Extension Service	10.500		13,136,265	
<i>Pass-Through From Cornell University</i>	10.500			4,940
<i>Pass-Through From Iowa State University</i>	10.500			2,761
<i>Pass-Through From Kansas State University</i>	10.500			100,812
<i>Pass-Through From University of Georgia</i>	10.500			11,631
<i>Pass-Through From University of Nebraska</i>	10.500			185,785
Food Distribution	10.550			
<i>Pass-Through From Virginia Local Governments</i>	10.550			21,608
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		97,345,288	
<i>Pass-Through From State of North Carolina</i>	10.557			1,253,739
Child and Adult Care Food Program	10.558		43,861,256	
State Administrative Expenses for Child Nutrition	10.560		4,270,318	
WIC Farmers' Market Nutrition Program (FMNP)	10.572		51,348	
Senior Farmers Market Nutrition Program	10.576		434,094	
Fresh Fruit and Vegetable Program	10.582		3,493,513	
Cooperative Forestry Assistance	10.664		4,585,840	
<i>Pass-Through From The Center For Natural Capital</i>	10.664			5,736
Wood Utilization Assistance	10.674		168,608	
Forest Legacy Program	10.676		494,631	
Forest Stewardship Program	10.678		163,210	
Forest Health Protection	10.680		6,645	
Wood Education and Resource Center (WERC)	10.681		8,048	
International Forestry Program	10.684		22,404	
Technical Assistance and Training Grants	10.761		134,738	

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Resource Conservation and Development	10.901		26,600	
Soil and Water Conservation	10.902		59,609	
Soil Survey	10.903		11,850	
Environmental Quality Incentives Program	10.912		160,848	
<i>Pass-Through From National Fish and Wildlife Foundation</i>	10.912			4,582
Agricultural Statistics Reports	10.950		2,844	
Other Assistance:				
Agricultural Statistics Services	10.000		588	
Agricultural Statistics Services Surveys	10.000		3,422	
Food Distribution - Salvage	10.000		14,312	
National Agricultural Statistic Service	10.000	Agreement-2-24-14 209774	5,096	
Other Assistance	10.000	08-JV-11132424-217	6,294	
Other Assistance	10.000	13-CS-11330152-089	4,403	
Other Assistance	10.000	13-DG-11132650-225	3,500	
<i>Pass-Through From Mississippi State University</i>	10.000	018000.340452.17		16,299
Processing Commodity Data	10.000		103,537	
<b>Total Excluding Clusters Identified Below</b>			<b>172,397,115</b>	<b>1,814,115</b>
Child Nutrition Cluster:				
School Breakfast Program	10.553		67,413,151	
National School Lunch Program	10.555		247,822,856	
Special Milk Program for Children	10.556		37,798	
Summer Food Service Program for Children	10.559		10,614,151	
<b>Total Child Nutrition Cluster</b>			<b>325,887,956</b>	<b>-</b>
Food Distribution Cluster:				
Emergency Food Assistance Program (Administrative Costs)	10.568		1,405,044	
Emergency Food Assistance Program (Food Commodities)	10.569		7,977,942	
<b>Total Food Distribution Cluster</b>			<b>9,382,986</b>	<b>-</b>
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665		1,555,333	
<b>Total Forest Service Schools and Roads Cluster:</b>			<b>1,555,333</b>	<b>-</b>
SNAP Cluster:				
Supplemental Nutrition Assistance Program - ARRA	10.551		1,351,733,845	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		103,872,454	
<b>Total SNAP Cluster</b>			<b>1,455,606,299</b>	<b>-</b>
Research and Development Cluster:				
Agricultural Research - Basic and Applied Research	10.001		1,361,595	
<i>Pass-Through From Pennsylvania State University</i>	10.001			4,998
<i>Pass-Through From University of Rhode Island</i>	10.001			9,478
Plant and Animal Disease, Pest Control, and Animal Care	10.025		586,487	
Wildlife Services	10.028		8,332	
Federal-State Marketing Improvement Program	10.156		113,781	
Grants for Agricultural Research, Special Research Grants	10.200		471,337	
<i>Pass-Through From Cornell University</i>	10.200			2,649
<i>Pass-Through From North Carolina State University</i>	10.200			6,857
<i>Pass-Through From Rutgers, The State University of New Jersey</i>	10.200			3,103

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From University of Florida</i>	10.200			16,214
<i>Pass-Through From University of Maine</i>	10.200			2,516
Cooperative Forestry Research	10.202		754,520	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203		3,919,916	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205		3,414,465	
Grants for Agricultural Research-Competitive Research Grants	10.206		283,903	
<i>Pass-Through From Clemson University</i>	10.206			444
Animal Health and Disease Research	10.207		69,089	
Higher Education - Graduate Fellowship Grants Programs	10.210		58,923	
Sustainable Agriculture Research and Education	10.215			
<i>Pass-Through From Langston University</i>	10.215			16,855
<i>Pass-Through From University of Georgia</i>	10.215			24,426
<i>Pass-Through From University of Kentucky</i>	10.215			31,273
<i>Pass-Through From University of Rhode Island</i>	10.215			70
1890 Institution Capacity Building Grants	10.216		995,624	
<i>Pass-Through From Delaware State University</i>	10.216			6,388
<i>Pass-Through From North Carolina A&amp;T</i>	10.216			46,785
<i>Pass-Through From University of Maryland</i>	10.216			38,969
<i>Pass-Through From University of Maryland Eastern Shore</i>	10.216			10,347
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250		33,444	
Consumer Data and Nutrition Research	10.253		16,726	
<i>Pass-Through From Cornell University</i>	10.253			11,379
<i>Pass-Through From Old Dominion University Research Foundation</i>	10.253			18,947
Agricultural Market and Economic Research	10.290		2,468	
Integrated Programs	10.303		129,830	
<i>Pass-Through From University of Georgia</i>	10.303			12,386
<i>Pass-Through From North Carolina State University</i>	10.303			38,614
International Science and Education Grants	10.305		52,279	
Organic Agriculture Research and Extension Initiative	10.307			
<i>Pass-Through From Rutgers, The State University of New Jersey</i>	10.307			50,006
<i>Pass-Through From West Virginia University</i>	10.307			2,178
Specialty Crop Research Initiative	10.309		1,473,315	
<i>Pass-Through From Clemson University</i>	10.309			1,674
<i>Pass-Through From North Carolina State University</i>	10.309			28,084
Agriculture and Food Research Initiative (AFRI)	10.310		4,564,775	
<i>Pass-Through From Cornell University</i>	10.310			30,097
<i>Pass-Through From Iowa State University</i>	10.310			114,496
<i>Pass-Through From Michigan State University</i>	10.310			29,890
<i>Pass-Through From Montclair State University</i>	10.310			20,145
<i>Pass-Through From North Carolina State University</i>	10.310			58,871
<i>Pass-Through From Temple University</i>	10.310			27,680
<i>Pass-Through From University of Arkansas Fayetteville</i>	10.310			134,349
<i>Pass-Through From University of California, Davis</i>	10.310			41,762
<i>Pass-Through From University of California, Riverside</i>	10.310			37,539
<i>Pass-Through From University of Florida</i>	10.310			723,189
<i>Pass-Through From University of Nebraska</i>	10.310			29,810
Beginning Farmer and Rancher Development Program	10.311		143,572	
Cooperative Extension Service	10.500		254,628	
<i>Pass-Through From Kansas State University</i>	10.500			73,582
<i>Pass-Through From Michigan State University</i>	10.500			25,763
<i>Pass-Through From University of Arkansas Cooperative Extension Service</i>	10.500			5,431
Forestry Research	10.652		466,865	
<i>Pass-Through From US Endowment For Forests &amp; Communities</i>	10.652			39,033
Cooperative Forestry Assistance	10.664		54,139	
<i>Pass-Through From Kentucky Division Of Forestry</i>	10.664			10

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Urban and Community Forestry Program	10.675		20,397	
<i>Pass-Through From National Association of Regional Councils</i>	10.675			30,186
Forest Health Protection	10.680		681,752	
Wood Education and Resource Center (WERC)	10.681		74,189	
Norman E. Borlaug International Agricultural Science and Technology Fellowship	10.777		639	
Resource Conservation and Development	10.901		33,859	
Soil and Water Conservation	10.902		213,523	
Soil Survey	10.903		45,930	
Environmental Quality Incentives Program	10.912		80,881	
<i>Pass-Through From Chesapeake Bay Foundation Incorporated</i>	10.912			2,049
<i>Pass-Through From Eastern Shore Resource Conservation &amp; Development Council Incorporated</i>	10.912			11,272
<i>Pass-Through From Pennsylvania State University</i>	10.912			62,751
Agricultural Statistics Reports	10.950		78,672	
Technical Agricultural Assistance	10.960		47,628	
Scientific Cooperation and Research	10.961		29,247	
Other Assistance:				
Other Assistance	10.000	08-JV-11261976-359	10,630	
Other Assistance	10.000	10-CS-11080821-003	348	
Other Assistance	10.000	11-2000-0047-CA	859	
Other Assistance	10.000	11-JV-11242305-130	44,254	
Other Assistance	10.000	11-JV-11330140-125	9,885	
Other Assistance	10.000	11-JV-11330152-104	5,966	
Other Assistance	10.000	12-2000-0047-CA	63,774	
Other Assistance	10.000	12-8130-0009-CA	37,567	
Other Assistance	10.000	12-CA-11420004-069	22,157	
Other Assistance	10.000	12-CA-11420004-070	21,219	
Other Assistance	10.000	12-JV-11221636-127	3,500	
Other Assistance	10.000	12-JV-11242303-036	9,643	
Other Assistance	10.000	12-JV-11330143-106	53,061	
Other Assistance	10.000	13-CA-11420004-061	70,672	
Other Assistance	10.000	13-DG-11132762-399	38,223	
Other Assistance	10.000	13-JV-11242301-080	1,783	
Other Assistance	10.000	13-JV-11242309-057	7,095	
Other Assistance	10.000	13-JV-11330145-054	18,923	
Other Assistance	10.000	13-JV-11330145-084	16,568	
Other Assistance	10.000	58-1235-3-128	19,564	
Other Assistance	10.000	58-6645-0-108	14,601	
Other Assistance	10.000	AG-3A94-P-12-0062	6,258	
Other Assistance	10.000	FS#12-JV-11261976-077	11,831	
Other Assistance	10.000		21,988	
<i>Pass-Through From Mushroom Council</i>	10.000	EXECUTED 5/31/11		2,963
<i>Pass-Through From University of Arizona</i>	10.000	GRNT#006430-00001 PO 150779		42,802
Processing Commodity Data	10.000	58-3000-2-0097 202775	74,616	
<b>Total Research and Development Cluster</b>			<b>21,121,715</b>	<b>1,928,310</b>
<b>Total U.S. Department of Agriculture</b>			<b>1,985,951,404</b>	<b>3,742,425</b>
<b>U.S. DEPARTMENT OF COMMERCE</b>				
Non-Stimulus:				
NOAA Mission-Related Education Awards	11.008			
<i>Pass-Through From Consortium for Ocean Leadership, Incorporated</i>	11.008			699
Economic Development-Technical Assistance	11.303		77,719	
Interjurisdictional Fisheries Act of 1986	11.407		56,424	
Sea Grant Support	11.417		1,039,630	
Coastal Zone Management Administration Awards	11.419		1,635,937	

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Coastal Zone Management Estuarine Research Reserves	11.420		365,374	
Marine Fisheries Initiative	11.433		38,096	
Unallied Industry Projects	11.452		289,807	
Unallied Management Projects	11.454		967,370	
Chesapeake Bay Studies	11.457		170,388	
Habitat Conservation	11.463		4,921	
Unallied Science Program	11.472		621,612	
Atlantic Coastal Fisheries Cooperative Management Act	11.474		182,292	
<i>Pass-Through From Atlantic States Marine Fisheries Commission</i>	11.474			24,078
State and Local Implementation Grant Program	11.549		90,004	
Measurement and Engineering Research and Standards - ARRA	11.609		5,800	
Manufacturing Extension Partnership	11.611		2,544,907	
<i>Pass-Through From Illinois Manufacturing Extension Center</i>	11.611			165,455
Congressionally-Identified Projects	11.617			
<i>Pass-Through From Vietnam Education Foundation</i>	11.617			23,047
Other Assistance:				
17th Annual Atmospheric and Oceanic Conference	11.000	202938	1,952	
Other Assistance	11.000	EA-133F-13-SE-0122	10,121	
<i>Pass-Through From National Geographic Society</i>	11.000	NA12SEC0080021 203165		12,857
Total Non-Stimulus			8,102,354	226,136
Stimulus (ARRA):				
State Broadband Data and Development Grant Program - ARRA	11.558		2,232,871	
Total Stimulus (ARRA)			2,232,871	-
Total Excluding Clusters Identified Below			10,335,225	226,136
Economic Development Cluster:				
Community Trade Adjustment Assistance	11.010			
<i>Pass-Through From New River Valley Planning District Commission</i>	11.010			80,354
Economic Adjustment Assistance	11.307		20,054,573	
<i>Pass-Through From District of Columbia, Office of Planning</i>	11.307			734
Total Economic Development Cluster:			20,054,573	81,088
Research and Development Cluster:				
Non-Stimulus:				
NOAA Mission-Related Education Awards	11.008		10,339	
<i>Pass-Through From National Geographic Society</i>	11.008			86,797
<i>Pass-Through From University Corporation for Atmospheric Research</i>	11.008			14,871
Integrated Ocean Observing System (IOOS)	11.012			
<i>Pass-Through From Rutgers, the State University of New Jersey</i>	11.012			39,632
<i>Pass-Through From Southeastern University Research Association</i>	11.012			20,637
Sea Grant Support	11.417		1,010,338	
<i>Pass-Through From Massachusetts Institute of Technology</i>	11.417			32,731
<i>Pass-Through From Texas A&amp;M University</i>	11.417			110,767
<i>Pass-Through From University of Maryland</i>	11.417			3,997
Coastal Zone Management Administration Awards	11.419		975,392	
<i>Pass-Through From Maryland Department of Natural Resources</i>	11.419			42,736
<i>Pass-Through From Middle Peninsula Planning District Commission</i>	11.419			6,106
<i>Pass-Through From University of South Carolina</i>	11.419			22,451
Coastal Zone Management Estuarine Research Reserves	11.420		156,453	
Climate and Atmospheric Research	11.431		299,932	
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		83,378	
Marine Fisheries Initiative	11.433		1,479	
Environmental Sciences, Applications, Data, and Education	11.440		469,707	
<i>Pass-Through From University of Maryland</i>	11.440			118,825

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Unallied Management Projects	11.454		1,765,454	
<i>Pass-Through From Coonamesset Farm Foundation, Incorporated</i>	11.454			27,713
Chesapeake Bay Studies	11.457		425,383	
<i>Pass-Through From Chesapeake Research Consortium</i>	11.457			57,093
<i>Pass-Through From Fairfax County Public Schools</i>	11.457			36,082
Habitat Conservation	11.463		102,998	
<i>Pass-Through From National Fish and Wildlife &amp; Covanta Energy Corporation</i>	11.463			56,928
<i>Pass-Through From National Fish and Wildlife Foundation</i>	11.463			4,678
<i>Pass-Through From The Nature Conservancy</i>	11.463			41,523
Meteorologic and Hydrologic Modernization Development	11.467			
<i>Pass-Through From Oregon Department of Geology &amp; Mineral</i>	11.467			37,239
Congressionally Identified Awards and Projects	11.469		118,585	
Unallied Science Program	11.472		46,449	
<i>Pass-Through From Commercial Fisheries Research Foundation</i>	11.472			2,821
Coastal Services Center	11.473			
<i>Pass-Through From Gulf of Mexico Alliance</i>	11.473			1,654
Atlantic Coastal Fisheries Cooperative Management Act	11.474		218	
<i>Pass-Through From Atlantic States Marine Fisheries Company</i>	11.474			63,584
Center for Sponsored Coastal Ocean Research-Coastal Ocean Program	11.478		68,920	
<i>Pass-Through From Louisiana State University</i>	11.478			24,403
<i>Pass-Through From University of Rhode Island</i>	11.478			10,882
NOAA Programs for Disaster Relief Appropriations Act - Non-construction and Construction	11.483		29,997	
Measurement and Engineering Research and Standards - ARRA	11.609		655,845	
<i>Pass-Through From Research Foundation of State University of New York at Binghamton</i>	11.609			103,004
Congressionally-Identified Projects	11.617		30,815	
Other Assistance:				
Atmospheric and Oceanic Studies	11.000	DG-133E 202422 202704 202740 202741203089 203095	236,484	
Geographic Information Systems Tools & Methods	11.000	YA1323-12-SE-0387 202748	58,514	
<b>Total Non-Stimulus</b>			<b>6,546,680</b>	<b>967,154</b>
Stimulus (ARRA):				
Measurement and Engineering Research and Standards - ARRA	11.609		59,533	
<b>Total Stimulus (ARRA)</b>			<b>59,533</b>	<b>-</b>
<b>Total Research and Development Cluster</b>			<b>6,606,213</b>	<b>967,154</b>
<b>Total U.S. Department of Commerce</b>			<b>36,996,011</b>	<b>1,274,378</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Non-Stimulus:				
Procurement Technical Assistance For Business Firms	12.002		251,898	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		827,511	
Electronic Absentee Systems for Elections	12.217		114,428	
Basic and Applied Scientific Research	12.300		70,449	
<i>Pass-Through From The Regents Of The University Of Michigan</i>	12.300			239,964
<i>Pass-Through From University of Michigan - Ann Arbor</i>	12.300			282,658
Navy Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance	12.335			
<i>Pass-Through From Creare</i>	12.335			38,822
ROTC Language and Culture Training Grants	12.357			
<i>Pass-Through From Institute of International Education</i>	12.357			651,730
Marine Corps Systems Command Federal Assistance Program	12.369		19,440	
National Guard Military Operations and Maintenance (O&M) Projects - ARRA	12.401		54,180,665	

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
National Guard Challenge Program	12.404		4,106,523	
Basic Scientific Research - ARRA	12.431		9,229	
The Language Flagship Grants to Institutions of Higher Education	12.550		873	
National Security Education Program David L. Boren Fellowships	12.552			
<i>Pass-Through From Institute of International Education</i>	12.552			306,711
Community Investment	12.600		11,376	
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607		333,993	
Community Economic Adjustment Assistance for Advance Planning and Economic Diversification	12.614		2,982,130	
Basic, Applied, and Advanced Research in Science and Engineering - ARRA	12.630		12,948,954	
<i>Pass-Through From Brandeis University</i>	12.630			48,855
Language Grant Program	12.900		295,006	
<i>Pass-Through From University of Maryland</i>	12.900			272
Information Security Grant Program	12.902		410,997	
Building Business Acumen	12.000	2012-12090100002 202757 202814	249,745	
Buildings Management Training	12.000	ONI-FY14 FM 0510 SKY 209772 209773	2,897	
Distressed	12.000	SP4800-13-2-1341 202986 202987	413,979	
Emergency Preparedness Training	12.000	W91QF7-10-T-0220 209804	12	
Other Assistance	12.000		10,758	
Other Assistance	12.000	N00178-13-P-4475	10,859	
Other Assistance	12.000	OBLIGATION NUMBER: IPA-DR BRAN	83,042	
Other Assistance	12.000	SP4800-12-2-1241 202688 202689	60,403	
<i>Pass-Through From Analytic Services, Incorporated</i>	12.000	W9113M-10-C0071 202443 202849		26,560
<i>Pass-Through From Auburn University</i>	12.000	13-BGCA-ARMY-VT		176,370
<i>Pass-Through From BAE (British Aerospace) Systems Advanced Technologies, Incorporated</i>	12.000	HMM402-13-C-0034 203131		67,169
<i>Pass-Through From BAE (British Aerospace) Systems Advanced Technologies, Incorporated</i>	12.000	W9113M-12-C-0066 202859		240,676
<i>Pass-Through From Battelle Memorial Institute</i>	12.000	N62473 202124 202840 203170		22,837
<i>Pass-Through From Booz Allen Hamilton</i>	12.000	HMM402-13-C-0013 202913		3,240
<i>Pass-Through From Chenega Technology Services Corporation</i>	12.000	2421-11-G202557		181,793
<i>Pass-Through From Computer Sciences Corporation</i>	12.000	HM0177-10-D-0006 203040		73,787
<i>Pass-Through From Leidos, Incorporated</i>	12.000	HM0177 202621 202655 202815 202827 202868 202869 202887 203143 203205		492,095
<i>Pass-Through From Lockheed Martin Integrated Systems</i>	12.000	N00039-08-C-0047 202541 202984		44,449
<i>Pass-Through From Northrop-Grumman</i>	12.000	H98230-10-C-0089 202578 202922		2,741
<i>Pass-Through From Q.E.D. (Quod Erat Demonstrandum) Systems, Incorporated</i>	12.000	N65540 202623 203037 203184		21,227
<i>Pass-Through From Raytheon Systems</i>	12.000	FA7014-13-C-1008 202701 203161		60,541
<i>Pass-Through From TASC, Incorporated (The Analytical Sciences Corporation)</i>	12.000	P-0002534 202539 203046 2013-13070900005 209770 209771 209782		253,076
Systems and Data Training	12.000	209783	76,985	
Technical Systems Management Training	12.000	CT13VN-C278-00XY 209792 209796	5,060	
USAFA Visiting Professor Program	12.000		119,689	
<b>Total Excluding Clusters Identified Below</b>			<b>77,596,901</b>	<b>3,235,573</b>
Research and Development Cluster:				
Aquatic Plant Control	12.100		71,132	
<i>Pass-Through From BAE Systems NA, Incorporated</i>	12.100			745
<i>Pass-Through From EA Engineering, Science, and Technology, Incorporated</i>	12.100			25,850
<i>Pass-Through From Luna Innovations, Incorporated</i>	12.100			41,037
Flood Control Projects	12.106			
<i>Pass-Through From Fugro Fuller Estis Burns Joint Venture, Limited Liability Corporation</i>	12.106			61,568
Basic and Applied Scientific Research	12.300		18,503,262	
<i>Pass-Through From Advanced Scientific Concepts Incorporated</i>	12.300			14,890
<i>Pass-Through From Aerospace Testing Alliance</i>	12.300			92,064
<i>Pass-Through From Alion Science Technology Corporation</i>	12.300			58,627
<i>Pass-Through From AVID Limited Liability Corporation</i>	12.300			1,509
<i>Pass-Through From BAE Systems NA, Incorporated</i>	12.300			10,222

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Barron Associates Incorporated</i>	12.300			29,882
<i>Pass-Through From Berrie Hill Research Corporation</i>	12.300			78,245
<i>Pass-Through From Booz Allen &amp; Hamilton</i>	12.300			89,473
<i>Pass-Through From Colorado State University</i>	12.300			10,959
<i>Pass-Through From Create Incorporated</i>	12.300			7,102
<i>Pass-Through From Dartmouth College</i>	12.300			40,046
<i>Pass-Through From DDL Omni Engineering Limited Liability Corporation</i>	12.300			1,445
<i>Pass-Through From Entegriion Incorporated</i>	12.300			451,434
<i>Pass-Through From Harmania Incorporated</i>	12.300			67,510
<i>Pass-Through From INTER Materials</i>	12.300			46,057
<i>Pass-Through From ITT Industries, Incorporated</i>	12.300			32,955
<i>Pass-Through From Joseph W Jones Ecological Research</i>	12.300			15,700
<i>Pass-Through From MacAulay-Brown, Incorporated</i>	12.300			419,088
<i>Pass-Through From NanoSonic, Incorporated</i>	12.300			38,749
<i>Pass-Through From Navatek Limited</i>	12.300			57,186
<i>Pass-Through From New York Institute of Technology</i>	12.300			128,088
<i>Pass-Through From NextGen Aeronautics, Incorporated</i>	12.300			60,140
<i>Pass-Through From Pennsylvania State University</i>	12.300			43,413
<i>Pass-Through From ProvenRobots.com, Incorporated</i>	12.300			20,761
<i>Pass-Through From Royal Institute of Technology</i>	12.300			154,740
<i>Pass-Through From Royal Melbourne Institute of Technology University</i>	12.300			2,236
<i>Pass-Through From Science Applications International Corporation</i>	12.300			1,796
<i>Pass-Through From Shared Spectrum Company</i>	12.300			44,349
<i>Pass-Through From Simpson Weather Associates, Incorporated</i>	12.300			23,710
<i>Pass-Through From SMD Corporation</i>	12.300			19,847
<i>Pass-Through From Syracuse University</i>	12.300			41,498
<i>Pass-Through From Taras Research, Limited Liability Corporation</i>	12.300			39,260
<i>Pass-Through From The Regents Of The University Of Michigan</i>	12.300			182,146
<i>Pass-Through From TORC Robotics, Limited Liability Corporation</i>	12.300			26,178
<i>Pass-Through From Universal Technology Corporation</i>	12.300			132,287
<i>Pass-Through From University of California, Santa Barbara</i>	12.300			182,173
<i>Pass-Through From University of Michigan - Ann Arbor</i>	12.300			183,410
<i>Pass-Through From University of Notre Dame</i>	12.300			117,135
<i>Pass-Through From University of Tennessee</i>	12.300			27,317
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351		3,822,035	
<i>Pass-Through From University of Maryland</i>	12.351			111,741
Military Medical Research and Development	12.420		13,685,834	
<i>Pass-Through From Archinonetics Limited Liability Company</i>	12.420			155,856
<i>Pass-Through From Avita Medial Limited Liability Company</i>	12.420			897
<i>Pass-Through From Case Western Reserve University</i>	12.420			228,665
<i>Pass-Through From Georgia Institute of Technology</i>	12.420			104,979
<i>Pass-Through From Henry M. Jackson Foundation for the Advancement of Military Medicine</i>	12.420			507,683
<i>Pass-Through From IASIS Molecular Sciences, Limited Liability Company</i>	12.420			222,562
<i>Pass-Through From Indiana University</i>	12.420			70,786
<i>Pass-Through From Johns Hopkins University</i>	12.420			9,852
<i>Pass-Through From Keranetics</i>	12.420			29,126
<i>Pass-Through From Laureate Institute for Brain Research</i>	12.420			54,628
<i>Pass-Through From Massachusetts Institute of Technology</i>	12.420			6,110
<i>Pass-Through From McGuire Research Institute</i>	12.420			23,745
<i>Pass-Through From Michigan State University</i>	12.420			47,124
<i>Pass-Through From Rutgers, The State University of New Jersey</i>	12.420			130
<i>Pass-Through From The Geneva Foundation</i>	12.420			149,273
<i>Pass-Through From University of Cincinnati</i>	12.420			22,701
<i>Pass-Through From University of Colorado</i>	12.420			37,772
<i>Pass-Through From University of Florida</i>	12.420			25,698

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From University of Maryland</i>	12.420			1,944
<i>Pass-Through From University of Pittsburgh</i>	12.420			313,086
<i>Pass-Through From University of Texas Health Science Center at San Antonio</i>	12.420			32,374
<i>Pass-Through From University of Washington</i>	12.420			33,555
<i>Pass-Through From Veterans Affairs Foundation Detroit</i>	12.420			4,291
Basic Scientific Research - ARRA	12.431		4,626,897	
<i>Pass-Through From Carnegie Mellon University</i>	12.431			174,991
<i>Pass-Through From Case Western Reserve University</i>	12.431			(1)
<i>Pass-Through From Cornell University</i>	12.431			20,208
<i>Pass-Through From Pennsylvania State University</i>	12.431			180,328
<i>Pass-Through From Princeton University</i>	12.431			2,366
<i>Pass-Through From The University of Texas at Austin</i>	12.431			40,367
<i>Pass-Through From University of Washington</i>	12.431			57,279
Community Economic Adjustment Assistance for Advance Planning and Economic Diversification	12.614		758,725	
Basic, Applied, and Advanced Research in Science and Engineering - ARRA	12.630		660,405	
<i>Pass-Through From Bowie State University</i>	12.630			32,267
<i>Pass-Through From Dubac Cox Shumaker Corporation</i>	12.630			7,059
<i>Pass-Through From University of Missouri Columbia</i>	12.630			6,241
Uniformed Services University Medical Research Projects	12.750			
<i>Pass-Through From Henry M. Jackson Foundation for the Advancement of Military Medicine</i>	12.750			476,492
<i>Pass-Through From The Geneva Foundation</i>	12.750			36,273
Air Force Defense Research Sciences Program	12.800		10,720,640	
<i>Pass-Through From Carnegie Mellon University</i>	12.800			92,114
<i>Pass-Through From Columbia University</i>	12.800			1,381
<i>Pass-Through From MicroXact, Incorporated</i>	12.800			46,563
<i>Pass-Through From NanoSonic, Incorporated</i>	12.800			5,377
<i>Pass-Through From National Institute of Aerospace</i>	12.800			10
<i>Pass-Through From Ohio Aerospace Institute</i>	12.800			27,968
<i>Pass-Through From Ohio State University</i>	12.800			76,780
<i>Pass-Through From Pennsylvania State University</i>	12.800			593
<i>Pass-Through From Prime Photonics, Incorporated</i>	12.800			115,926
<i>Pass-Through From Purdue University</i>	12.800			55,953
<i>Pass-Through From SA Photonics, Limited Liability Corporation</i>	12.800			3,745
<i>Pass-Through From Texas A&amp;M University</i>	12.800			107,025
<i>Pass-Through From University of Arizona</i>	12.800			70,426
<i>Pass-Through From University of California at Berkeley</i>	12.800			277,687
<i>Pass-Through From University of New Mexico</i>	12.800			17,783
<i>Pass-Through From University of Pittsburgh</i>	12.800			105,125
<i>Pass-Through From University of Texas Health Science Center at San Antonio</i>	12.800			22,690
<i>Pass-Through From University of Utah</i>	12.800			156,832
<i>Pass-Through From Vanderbilt University</i>	12.800			31,216
<i>Pass-Through From Virginia Tech Applied Research Corporation</i>	12.800			252,361
<i>Pass-Through From Wright State University</i>	12.800			18,307
<i>Pass-Through From Yale University</i>	12.800			(1)
Mathematical Sciences Grants Program	12.901		74,877	
Research and Technology Development	12.910		7,514,037	
<i>Pass-Through From California Institute of Technology</i>	12.910			16,298
<i>Pass-Through From Invincea Labs, Limited Liability Company</i>	12.910			951
<i>Pass-Through From Raytheon Company</i>	12.910			44,256
<i>Pass-Through From Stanford University</i>	12.910			117,852
<i>Pass-Through From Strategic Analysis, Incorporated</i>	12.910			19,753
<i>Pass-Through From University of California, San Diego</i>	12.910			192
<i>Pass-Through From University of Southern California</i>	12.910			175,943
Other Assistance:				
Alloy Modeling	12.000	W911QX-11-P-0187 202514		17,773

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Decision Making	12.000	2010-1043907-000 202081	11,294	
Defense Threat Reduction	12.000	HDTRA1 201578 202590 W9132V 202369 202784 202792 202843	1,595,980	
Engineering Studies	12.000	203084	299,577	
Enterprise Attack Analysis	12.000	FA8750-12-C-0226 202736	293,740	
Interface Improvement	12.000	2012-12060500007 202714	165,837	
Intergovernmental Personnel Act Agreement Claude Kicklighter	12.000	202395	233,544	
Intergovernmental Personnel Act Agreement Dennis McBride	12.000	202606	11,247	
Intergovernmental Personnel Act Agreement Duplantier	12.000	202606	216,594	
Intergovernmental Personnel Act Agreement Greanya	12.000	202606	206,650	
Market Oriented Approaches	12.000	NRO00014-C-0030 203172	74,432	
Other Assistance	12.000	FA9550-11-1-0313	195,330	
Other Assistance	12.000	HDTRA 1-11-D-0016/0003	475,323	
Other Assistance	12.000	HDTRA1-11-D-0016/0002	120,861	
Other Assistance	12.000	HDTRA1-11-D-0016/0004	260,030	
Other Assistance	12.000	HDTRA-11-D-0016/0001	4,135,923	
Other Assistance	12.000	HHM402-12-1-0012	449,295	
Other Assistance	12.000	LOG-LOG-W81XWH-11-2-0187	243,860	
Other Assistance	12.000	MISC11DT627MAT	332,435	
Other Assistance	12.000	N00178-09-C-3013	28,035	
Other Assistance	12.000	N00178-09-D-0317/0024	66,549	
Other Assistance	12.000	N00178-09-D-3017/0022	17,402	
Other Assistance	12.000	N00178-09-D-3017/0023	416,671	
Other Assistance	12.000	N00178-09-D-3017/0025	39,789	
Other Assistance	12.000	N00178-09-D-3017-0017	3,503	
Other Assistance	12.000	N00178-09-D3017-0018	150,037	
Other Assistance	12.000	N00178-09-D-3017-0026	16,418	
Other Assistance	12.000	N62306-12-P-2007	50,558	
Other Assistance	12.000	N62306-12-P-3006	233	
Other Assistance	12.000	W56HZV-10-C-L519	1,424	
Other Assistance	12.000	W912HQ-10-C-0029	12,751	
Other Assistance	12.000	W9132T-11-2-0017	79,996	
Other Assistance	12.000	W9132T-11-2-0036	46,548	
Other Assistance	12.000	W91CRB-13-C-0048	15,466	
<i>Pass-Through From Alion Science and Technology Corporation</i>	12.000	FA1500-10-D-001 202608		187,778
<i>Pass-Through From Alion Science and Technology Corporation</i>	12.000	SP0700-99-D0301 202799 203077		55,931
<i>Pass-Through From Aptima, Incorporated</i>	12.000	FA8650-11-C-6236 203188		10,274
<i>Pass-Through From Aptima, Incorporated</i>	12.000	N00014-12-G-05460005 202693 203078		29,139
<i>Pass-Through From AVID Limited Liability Corporation</i>	12.000	AVIDW15QKN120C0108VT		1,063
<i>Pass-Through From Azure Summit Technology Incorporated</i>	12.000	14-M-0007-VPI-001		23,440
<i>Pass-Through From Battelle</i>	12.000	PO US001-0000388861		40,220
<i>Pass-Through From Berkeley Research Associates, Incorporated</i>	12.000	N00173-10-C-2047 202352		47,788
<i>Pass-Through From Carnegie Mellon University</i>	12.000	FA9550-08-1-0356 201596		39,719
<i>Pass-Through From Ceres Nanosciences, Incorporated</i>	12.000	D12PC00036 202894		23,133
<i>Pass-Through From Ceres Nanosciences, Incorporated</i>	12.000	HR0011-12-9-0016 202800		91,022
<i>Pass-Through From Columbia University</i>	12.000	FA8650-10-C-7024 202132		712,120
<i>Pass-Through From Columbia University</i>	12.000	FA8650-11-C-7190 202527		94,616
<i>Pass-Through From Cortana Corporation</i>	12.000	13-01		222,389
<i>Pass-Through From Create Incorporated</i>	12.000	71805		40,851
<i>Pass-Through From Cycorp, Incorporated</i>	12.000	HQ0147-13-C-7701 203069		133,664
<i>Pass-Through From Echo Ridge Limited Liability Company</i>	12.000	FA8650-13-C-1619 202976		9,802
<i>Pass-Through From Excet, Incorporated</i>	12.000	G00877626-2483 203007		13,704
<i>Pass-Through From FirstGuard Technologies Corporation</i>	12.000	N6 1331-13-P-3602 203216		23,010
<i>Pass-Through From General Dynamics Information Technology</i>	12.000	F5702-11-04-SC10-01		63,504
<i>Pass-Through From Geneva Foundation</i>	12.000	W81XWH-11-0126 202871		10,630

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Geneva Foundation</i>	12.000	W81XWH-13-0191 203195		13,447
<i>Pass-Through From Geneva Foundation</i>	12.000	W9113M-10-C-0057 203088		199,125
<i>Pass-Through From Global Engineering &amp; Materials Incorporated</i>	12.000	AGRMT DTD 9/18/12		528
<i>Pass-Through From Global Resource Solutions, Incorporated</i>	12.000	BAONBS23-001 202045		81,230
<i>Pass-Through From Group W Incorporated</i>	12.000	M00264-12-D-0007 203074		54,310
<i>Pass-Through From Harris Corporation</i>	12.000	A000267311		335,311
<i>Pass-Through From High Performance Technologies Incorporated</i>	12.000	GS04T09DBC0017 202860 203204		11,397
<i>Pass-Through From HRL (Hughes Research) Laboratories</i>	12.000	FA8650-13-C-7356 203117		147,943
<i>Pass-Through From Inova Healthcare</i>	12.000	D10-I-AR-J6-828 203057		38,296
<i>Pass-Through From Intelligent Fusion Technology, Incorporated</i>	12.000	FA9453-14-M-0001 203138		19,274
<i>Pass-Through From Invincea Labs, Limited Liability Company</i>	12.000	FA8750-10-C-0169 202103		292,494
<i>Pass-Through From Invincea Labs, Limited Liability Company</i>	12.000	FA8750-13-C-0027 203176		136,777
<i>Pass-Through From Johns Hopkins University</i>	12.000	108582 202719		258
<i>Pass-Through From Johns Hopkins University</i>	12.000	12050800010 202923		75,239
<i>Pass-Through From Leidos Incorporated</i>	12.000	DTRA01-03-D-0017 202607 202925		54,745
<i>Pass-Through From Leidos, Incorporated</i>	12.000	MSA TASK ORDER NO. P010151926		94,232
<i>Pass-Through From Lockheed Martin Enterprise Business Services</i>	12.000	4100518489		130,387
<i>Pass-Through From Massachusetts Institute of Technology</i>	12.000	LTR NO. 16-S-12-0682		126,394
<i>Pass-Through From McQ, Incorporated</i>	12.000	HQ0147-14-C-7840 203212		11,810
<i>Pass-Through From McQ, Incorporated</i>	12.000	M67854-12-C-6538 202901		1,436
<i>Pass-Through From NanoSonic, Incorporated</i>	12.000	NANO# A-0090		26,420
<i>Pass-Through From NanoSonic, Incorporated</i>	12.000	NANO#AF-0054		4,522
<i>Pass-Through From NanoSonic, Incorporated</i>	12.000	NANO#AR-P001		1,583
<i>Pass-Through From National Boys &amp; Girls Clubs</i>	12.000	AGMT DTD 09/28/12		56,925
<i>Pass-Through From NIITEK (Non-Intrusive Inspection Technology), Incorporated</i>	12.000	HR0011-13-C-0058 202973		121,957
<i>Pass-Through From Object Video, Incorporated</i>	12.000	FA8650-12-C-7212 202616 202983		136,972
<i>Pass-Through From Oculus Info, Incorporated</i>	12.000	N41756-13-C-3058 203154		59,642
<i>Pass-Through From Paragon NanoLabs, Incorporated</i>	12.000	W911NF-13-C-0044 203012		20,766
<i>Pass-Through From Paragon NanoLabs, Incorporated</i>	12.000	W911SR-13-C-0019 202886		17,346
<i>Pass-Through From Perceptronics Solutions, Incorporated</i>	12.000	G00528268 202890		20,851
<i>Pass-Through From Quanterion Solutions Incorporated</i>	12.000	FA1500-10-0001 202893		76,369
<i>Pass-Through From Research Triangle Institute</i>	12.000	TO#3-312-0123589 WO T-4		104,574
<i>Pass-Through From Royal Melbourne Institute of Technology University</i>	12.000	N00014-12-0248		127
<i>Pass-Through From Sandia Research Corporation</i>	12.000	W911NF-13-C-0060 202972		24,869
<i>Pass-Through From Science &amp; Engineering Services, Limited Liability Corporation</i>	12.000	R14SP00002		130,627
<i>Pass-Through From Science Applications International Corporation</i>	12.000	P010134086		50,784
<i>Pass-Through From SciX3, Limited Liability Company</i>	12.000	W911QX-13-C-0126 203005		20,509
<i>Pass-Through From Service Disabled Contracting Group, Incorporated</i>	12.000			61,034
<i>Pass-Through From Sierra Nevada Corporation</i>	12.000	FA8750-13-C-0057 202988 203158		120,667
<i>Pass-Through From Sikorsky Aircraft Corporation</i>	12.000	S1538A		32,274
<i>Pass-Through From SMD Corporation</i>	12.000	AGREEMENT SIGNED 6/18/12		109,750
<i>Pass-Through From TORC Robotics, Limited Liability Corporation</i>	12.000	AFR-03-101/VT-01		90,662
<i>Pass-Through From Trideum Corporation</i>	12.000	W15P7T-06-D-E402 202883		56,667
<i>Pass-Through From Truestone, Limited Liability Company</i>	12.000	GS-02F-0188Y 203194		45,779
<i>Pass-Through From University of Maryland</i>	12.000	N0000141310054 202899		121,806
<i>Pass-Through From University of Michigan - Ann Arbor</i>	12.000	3000685438		42,113
<i>Pass-Through From University of Southern California</i>	12.000	N66001-11-C-4021 203155		10,798
<i>Pass-Through From Vectare Limited Liability Company</i>	12.000	1071-00-REV B 202820 203159 203218		55,084
<i>Pass-Through From Ventura Solutions</i>	12.000	PO. 1044-10/TTO 1		9,999
<i>Pass-Through From Ventura Solutions</i>	12.000	PO: 1044-10/ TTO 6		35,254
<i>Pass-Through From Zel Technologies, Limited Liability Company</i>	12.000	FA8750-08-D-0210/006 202956		179,418
Phosphoproteomic Profiling	12.000	W81XWH-11-P-0310 202354	112,404	
Prostate Cancer	12.000	W81XWH-13-1-0329 203096	35,056	
Real-Time Social Media Exploitation	12.000	N41756-13-C-3019	684,918	
Role of Motivational States	12.000	W5J9CQ-12-C-0036 202785	186,927	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Scene Analysis	12.000	HM0177-12-P-0019 202604	13,916	
Socio-Geographic Dynamics	12.000	W15QKN-13-C-0090 203106	48,620	
Uniformed Services University	12.000	HT9404-13-1-TS05(N13-P01)	9,321	
US GOVT	12.000	(07-C-0378)	2,799,756	
Vulnerabilities in Mobile Applications	12.000	2013-1307071200003 203053	1,396	
<b>Total Research and Development Cluster</b>			<b>74,615,263</b>	<b>13,756,959</b>
<b>Total U.S. Department of Defense</b>			<b>152,212,164</b>	<b>16,992,532</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Non-Stimulus:				
Emergency Solutions Grant Program	14.231		2,533,622	
Supportive Housing Program	14.235		124,642	
HOME Investment Partnerships Program	14.239		9,941,006	
Housing Opportunities for Persons with AIDS	14.241		627,763	
<i>Pass-Through From City of Richmond</i>	14.241			21,168
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251		2,932	
Fair Housing Assistance Program-State and Local	14.401		217,686	
Historically Black Colleges and Universities Program	14.520		166,717	
Other Assistance:				
<i>Pass-Through From New River Valley Planning District Commission</i>	14.000	AGREEMENT DATED 8/15/11		23,681
<i>Pass-Through From New River Valley Planning District Commission</i>	14.000	EXECUTED 7/6/2011		20,341
<b>Total Excluding Clusters Identified Below</b>			<b>13,614,368</b>	<b>65,190</b>
CDBG Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218			
<i>Pass-Through From City of Richmond</i>	14.218			81,836
<b>Total CDBG Entitlement Grants Cluster</b>			<b>-</b>	<b>81,836</b>
CDBG State Administered CDBG Cluster:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		24,948,239	
<b>Total CDBG State Administered CDBG Cluster</b>			<b>24,948,239</b>	<b>-</b>
Research and Development Cluster:				
Transformation Initiative Research Grants; Sustainable Community Research Grant Program	14.523		42,964	
Other Assistance:				
<i>Pass-Through From New River Valley Planning District Commission</i>	14.000	AGREEMENT DATED 12/20/11		2,275
<i>Pass-Through From The German Marshall Fund of the United States</i>	14.000	AGREEMENT DATED 6/6/12		41,996
<b>Total Research and Development Cluster</b>			<b>42,964</b>	<b>44,271</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>38,605,571</b>	<b>191,297</b>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
Non-Stimulus:				
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250		3,575,888	
Abandoned Mine Land Reclamation (AMLR) Program	15.252		12,898,544	
Fish and Wildlife Management Assistance	15.608		40,482	
Cooperative Endangered Species Conservation Fund	15.615		100,070	

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Clean Vessel Act Program	15.616		194,915	
Sportfishing and Boating Safety Act	15.622		1,489	
Enhanced Hunter Education and Safety Program	15.626		231,583	
Landowner Incentive Program	15.633		157,910	
State Wildlife Grants	15.634		1,950,068	
Endangered Species Conservation - Recovery Implementation Funds	15.657		73,994	
National Resource Damage Assessment, Restoration, and Implementation	15.658		130,290	
National Fish and Wildlife Foundation	15.663			
<i>Pass-Through From National Fish and Wildlife Foundation</i>	15.663			47,725
Fish and Wildlife Coordination and Assistance Programs	15.664		14,095	
U.S. Geological Survey- Research and Data Collection	15.808		7,140	
National Cooperative Geologic Mapping Program	15.810		12,173	
National Geological and Geophysical Data Preservation Program	15.814		4,138	
National Land Remote Sensing - Education Outreach and Research	15.815			
<i>Pass-Through From AmericaView Incorporated</i>	15.815			5,802
Historic Preservation Fund Grants-In-Aid	15.904		891,699	
Outdoor Recreation-Acquisition, Development and Planning	15.916		323,486	
Rivers, Trails and Conservation Assistance	15.921		101,286	
American Battlefield Protection	15.926		6,377,810	
Chesapeake Bay Gateways Network	15.930		18,100	
Conservation Activities by Youth Service Organizations - ARRA	15.931		1,530	
National Trails System Projects - ARRA	15.935		5,000	
Cooperative Research and Training Programs – Resources of the National Park System	15.945		41,188	
Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	15.957		8,509	
Upper Mississippi River System Long Term Resource Monitoring Program	15.978		6,838	
Other Assistance:				
War of 1812 Bicentennial	15.000	P11AC30805 202957	79,869	
			<hr/>	
Total Excluding Clusters Identified Below			27,248,094	53,527
			<hr/>	
Fish and Wildlife Cluster:				
Sport Fish Restoration Program	15.605		5,001,287	
Wildlife Restoration and Basic Hunter Education	15.611		7,446,183	
			<hr/>	
Total Fish and Wildlife Cluster			12,447,470	-
			<hr/>	
Research and Development Cluster:				
Science and Technology Projects Related to Coal Mining and Reclamation	15.255		24,016	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	15.423		510,120	
<i>Pass-Through From Rutgers, The State University</i>	15.423			41,093
Fish and Wildlife Management Assistance	15.608		9,769	
Coastal Program	15.630		18,863	
<i>Pass-Through From North Carolina US Fish and Wildlife Service</i>	15.630			1,397
Partners for Fish and Wildlife	15.631		4,373	
State Wildlife Grants	15.634			
<i>Pass-Through From Wildlife Management Institute</i>	15.634			53,848
Migratory Bird Joint Ventures	15.637			
<i>Pass-Through From American Bird Conservancy</i>	15.637			63,826
Research Grants (Generic)	15.650		609,853	
<i>Pass-Through From University of Central Florida</i>	15.650			23,566
Migratory Bird Monitoring, Assessment and Conservation	15.655		17,966	
Recovery Act Funds - Habitat Enhancement, Restoration, and Improvement	15.656		53,840	
Endangered Species Conservation - Recovery Implementation Funds	15.657		463,055	
National Resource Damage Assessment, Restoration, and Implementation	15.658		35	
Fish and Wildlife Coordination and Assistance Programs	15.664		38,164	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Wildlife Management Institute</i>	15.664			45,136
National Wetlands Inventory	15.665		107,448	
Assistance to State Water Resources Research Institutes	15.805		219,714	
Earthquake Hazards Research Grants	15.807		142,579	
U.S. Geological Survey- Research and Data Collection	15.808		487,281	
National Cooperative Geologic Mapping Program	15.810		253,875	
Cooperative Research Units Program	15.812		1,559,815	
Rivers, Trails and Conservation Assistance	15.921		6,149	
American Battlefield Protection	15.926		3,079	
Save America's Treasures - ARRA	15.929		29,755	
Cooperative Research and Training Programs – Resources of the National Park System	15.945		427,101	
Other Assistance:				
Climate Change in U.S. Parks	15.000	P13AC01364 203086	13,140	
Climate Communication Interns	15.000	P2AC10261 202634	56,390	
		G08PA90062 201605 202500 202594 202595 202699 202761 202918 202919		
Geological Survey Basic Ordering Agreement	15.000	202920 202921 203060 203129 202566	112,472	
National Mall Plan	15.000	P07AC00007 202710	127,240	
Other Assistance	15.000	12107	15,000	
Other Assistance	15.000	D12PC00337/MOD 9	4,418,074	
Other Assistance	15.000	E12PC00034	33,976	
Other Assistance	15.000	F11PC00489-MODS 1 & 2	47,787	
Other Assistance	15.000	P08AC00119-H4506080730	5,401	
Other Assistance	15.000	P09AC00347-J5463090001	20,686	
Other Assistance	15.000	P13AC00572-H500009504	14,971	
<i>Pass-Through From AmericaView Incorporated</i>	15.000	AV08-VA01		6,645
<i>Pass-Through From AmericaView Incorporated</i>	15.000	AV08-VA02		3,814
<i>Pass-Through From Minnesota Pollution Control Agency</i>	15.000	17134MES		4,069
<i>Pass-Through From University of Illinois</i>	15.000	GRANT CODE D6628		74,609
<i>Pass-Through From West Virginia University</i>	15.000	14-035-VPI		13,838
Qualitative Analysis National Mall	15.000	J3992-07-0400 202626	2,958	
Resource Management Internship Program	15.000	P11AC30805 203135	1,855	
Science Cast	15.000	D11PC20062 202312	2,889,012	
Teaching Diverse Population	15.000	H3992060006 202465	23,242	
			<hr/>	
Total Research and Development Cluster			12,769,054	331,841
			<hr/>	
Total U.S. Department of the Interior			52,464,618	385,368
			<hr/> <hr/>	
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Non-Stimulus:				
Law Enforcement Assistance-Narcotics and Dangerous Drugs Training	16.004		194,743	
Violence Against Women Act Court Training and Improvement Grants	16.013		14,340	
Sexual Assault Services Formula Program	16.017		375,665	
Juvenile Accountability Block Grants	16.523		666,108	
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		58,185	
<i>Pass-Through From University of Richmond</i>	16.525			9,131
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528		88,231	
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540		648,013	
Missing Children's Assistance	16.543		254,337	
Victims of Child Abuse	16.547			
<i>Pass-Through From National Court Appointed Special Advocate</i>	16.547			13,149
Title V-Delinquency Prevention Program	16.548		32,640	
State Justice Statistics Program for Statistical Analysis Centers	16.550		74,311	

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
National Criminal History Improvement Program (NCHIP)	16.554		177,920	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		814,408	
Crime Victim Assistance	16.575		9,295,409	
Crime Victim Compensation	16.576		1,157,000	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		208,406	
Drug Court Discretionary Grant Program	16.585		390,605	
Violence Against Women Formula Grants - ARRA	16.588		2,963,799	
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		213,496	
Residential Substance Abuse Treatment for State Prisoners	16.593		457,861	
Project Safe Neighborhoods	16.609			
<i>Pass-Through From District of Columbia Government</i>	16.609			572
Public Safety Partnership and Community Policing Grants - ARRA	16.710		223,120	
<i>Pass-Through From VTV Family Outreach Foundation, Incorporated</i>	16.710			18,023
Juvenile Mentoring Program	16.726		46,353	
<i>Pass-Through From National 4-H Council</i>	16.726			59,973
Enforcing Underage Drinking Laws Program	16.727		134,026	
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735		1,220,746	
DNA Backlog Reduction Program	16.741		1,137,082	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		265,823	
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		6,791	
Edward Byrne Memorial Competitive Grant Program	16.751		154,089	
Economic High-Tech and Cyber Crime Prevention	16.752		77,925	
Recovery Act -Internet Crimes Against Children Task Force Program (ICAC)	16.800		110,177	
Second Chance Act Prisoner Reentry Initiative	16.812		449,576	
NICS Act Record Improvement Program	16.813		104,169	
Equitable Sharing Program	16.922		3,671,304	
Other Assistance:				
<i>Pass-Through From Council of State Governments</i>	16.000	14-LA-161-2102 203142		6,996
Research Assistant Program	16.000	2009-IJ-R-100 201936	51,452	
<b>Total Excluding Clusters Identified Below</b>			<b>25,738,110</b>	<b>107,844</b>
JAG Program Cluster:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		5,023,896	
<b>Total JAG Program Cluster</b>			<b>5,023,896</b>	<b>-</b>
Research and Development Cluster:				
Juvenile Accountability Block Grants	16.523			
<i>Pass-Through From City of Charlottesville</i>	16.523			48,110
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540		54,378	
<i>Pass-Through From The Johns Hopkins University Applied Physics Laboratory</i>	16.540			121,597
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541		133,379	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		148,491	
<i>Pass-Through From Forensic Sciences Foundation</i>	16.560			7,757
<i>Pass-Through From MDRC (Manpower Demonstration Research Corporation)</i>	16.560			117,437
<i>Pass-Through From Police Executive Research Forum</i>	16.560			4,925
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		204,678	
Juvenile Mentoring Program	16.726		125,392	
Other Assistance:				
Bureau of Justice Assistance Soaring	16.000	2010-DB-BX-K077 202197	210,431	
Community Policing Strategies	16.000	2012-CK-WX-K026 202807	116,124	
License Plate Recognition Technology	16.000	2013-IJ-CX-0017 203080	47,023	
Other Assistance	16.000	2009-DN-BX-K233	35,990	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Other Assistance	16.000	2012-IJ-CX-0003	50,369	
<i>Pass-Through From City of Brooklyn Park</i>	16.000	2013-DB-BX-0030 203168		13,618
<i>Pass-Through From City of Philadelphia</i>	16.000	2013-SM-BX-0004 203189		33,301
<i>Pass-Through From City of Redlands</i>	16.000	2010-DE-BX-K006 202274		9,325
<i>Pass-Through From City of Seattle</i>	16.000	2012-AJ-BX-0006 202958		90,140
<i>Pass-Through From The Urban Institute</i>	16.000	2010-WG-GX-0011 202297		3,482
Reentry Programs	16.000	2012-IJ-CX-0013 202752	27,812	
Selective Exploitation Trace Chemical Analysis	16.000	2012-DN-BX-K038 202749	175,650	
Testing Android Application	16.000	A2N203268 202756	2,047	
Translating Evidence Based Practice	16.000	2011-DB-BX-K010 202507	53,865	
<b>Total Research and Development Cluster</b>			<b>1,385,629</b>	<b>449,692</b>
<b>Total U.S. Department of Justice</b>			<b>32,147,635</b>	<b>557,536</b>
<b>U.S. DEPARTMENT OF LABOR</b>				
Non-Stimulus:				
Labor Force Statistics	17.002		1,511,260	
Compensation and Working Conditions	17.005		99,947	
Unemployment Insurance - ARRA	17.225		694,037,474	
Senior Community Service Employment Program	17.235		1,836,954	
Trade Adjustment Assistance	17.245		8,493,141	
WIA Dislocated Workers - ARRA	17.260			
<i>Pass-Through From Bay Consortium Workforce Investment Board</i>	17.260			302,529
<i>Pass-Through From Crater Regional Workforce Investment Board</i>	17.260			209,953
WIA Pilots, Demonstrations, and Research Projects	17.261		482,590	
Work Incentives Grants	17.266		64,466	
Incentive Grants- WIA Section 503	17.267		14,625	
H-1B Job Training Grants	17.268			
<i>Pass-Through From Greater Peninsula Workforce Development Consortium</i>	17.268			70,177
<i>Pass-Through From Shenandoah Valley Workforce Investment Board</i>	17.268			37,871
Community Based Job Training Grants	17.269		244,557	
Work Opportunity Tax Credit Program (WOTC)	17.271		660,123	
Temporary Labor Certification for Foreign Workers	17.273		400,446	
Workforce Investment Act (WIA) National Emergency Grants	17.277		74,362	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		11,575,583	
<i>Pass-Through From Bellevue College</i>	17.282			132,827
<i>Pass-Through From Henry Ford Community College</i>	17.282			67,350
Workforce Innovation Fund	17.283			
<i>Pass-Through From Capital Region Workforce Partnership</i>	17.283			701,514
<i>Pass-Through From SkillSource Group</i>	17.283			87,495
Occupational Safety and Health-State Program	17.503		3,979,110	
Consultation Agreements	17.504		980,694	
Mine Health and Safety Grants	17.600		47,582	
Brookwood-Sago Grant	17.603		13,350	
Other Assistance:				
Equal Employment Opportunity Commission	17.000		12,512	
<i>Pass-Through From West Piedmont Workforce Investment</i>	17.000	FFP AGREEMENT AT-14679		500
<b>Total Non-Stimulus</b>			<b>724,528,776</b>	<b>1,610,216</b>

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Stimulus (ARRA):				
Unemployment Insurance - ARRA	17.225		6,844,418	
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	17.275			
<i>Pass-Through From Shenandoah Valley Workforce Investment Board</i>	17.275			3,459
Total Stimulus (ARRA)			6,844,418	3,459
Total Excluding Clusters Identified Below			731,373,194	1,613,675
Employment Service Cluster:				
Employment Service/Wagner - Peyser Funded Activities	17.207		16,662,308	
Disabled Veterans' Outreach Program (DVOP)	17.801		1,795,269	
Local Veterans' Employment Representative Program	17.804		2,490,727	
Total Employment Service Cluster			20,948,304	-
WIA Cluster:				
WIA Adult Program	17.258		11,500,435	
<i>Pass-Through From Bay Consortium Workforce Investment Board</i>	17.258			383,357
<i>Pass-Through From Crater Regional Workforce Investment Board</i>	17.258			188,535
<i>Pass-Through From Region 2000 Regional Commission</i>	17.258			262,182
<i>Pass-Through From South Central Workforce Investment Board</i>	17.258			17
<i>Pass-Through From Virginia Workforce Network</i>	17.258			50,460
WIA Youth Activities	17.259		13,076,183	
<i>Pass-Through From Bay Consortium Workforce Investment Board</i>	17.259			209,575
<i>Pass-Through From Goodwill Industries</i>	17.259			493
<i>Pass-Through From Opportunity, Incorporated</i>	17.259			87,226
<i>Pass-Through From People Incorporated of Southwest Virginia</i>	17.259			27,147
<i>Pass-Through From Region 2000 Regional Commission</i>	17.259			5,576
<i>Pass-Through From South Central Workforce Investment Board</i>	17.259			478,832
<i>Pass-Through From Southwest Virginia Workforce Investment Board</i>	17.259			29,250
WIA Dislocated Worker Formula Grants	17.278		15,828,981	
<i>Pass-Through From Bay Consortium Workforce Investment Board</i>	17.278			64,618
<i>Pass-Through From Region 2000 Regional Commission</i>	17.278			279,662
<i>Pass-Through From South Central Workforce Investment Board</i>	17.278			99,990
<i>Pass-Through From Virginia Workforce Network</i>	17.278			49,072
Total WIA Cluster			40,405,599	2,215,992
Research and Development Cluster:				
Workforce Innovation Fund	17.283		226,627	
<i>Pass-Through From Opportunity Incorporated</i>	17.283			226,626
Other Assistance:				
Other Assistance	17.000	CONTRACT 200-2013-56425	21,512	
Total Research and Development Cluster			248,139	226,626
Total U.S. Department of Labor			792,975,236	4,056,293
<b>U.S. DEPARTMENT OF STATE</b>				
Non-Stimulus:				
Academic Exchange Programs - Undergraduate Programs	19.009		69,610	
<i>Pass-Through From Meridian International Center</i>	19.009			191,498
Academic Exchange Programs - Hubert H. Humphrey Fellowship Program	19.010			
<i>Pass-Through From Institute of International Education</i>	19.010			456,575
Professional and Cultural Exchange Programs - Special Professional and Cultural Programs	19.012		182,892	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From International Research &amp; Exchange Board</i>	19.012			33,210
One-Time International Exchange Grant Program	19.014		4,728,903	
International Programs to Combat Human Trafficking	19.019		107,080	
Investing in People in the Middle East and North Africa	19.021			
<i>Pass-Through From Meridian International Center</i>	19.021			176,463
Global Threat Reduction	19.033			
<i>Pass-Through From National Academy of Science</i>	19.033			11,778
Public Diplomacy Programs	19.040		77,642	
International Programs to Support Democracy, Human Rights and Labor	19.345		820,372	
Academic Exchange Programs-Graduate Students	19.400			
<i>Pass-Through From Institute of International Education</i>	19.400			86,090
Academic Exchange Programs - Scholars	19.401			
<i>Pass-Through From Institute of International Education</i>	19.401			44,583
Professional and Cultural Exchange Programs - International Visitor Leadership Program	19.402			
<i>Pass-Through From International Research and Exchanges Board</i>	19.402			12,032
Academic Exchange Programs-Teachers	19.408			
<i>Pass-Through From International Research and Exchanges</i>	19.408			178,871
Professional and Cultural Exchange Programs Citizen Exchanges	19.415		840,005	
<i>Pass-Through From World Learning</i>	19.415			67,099
Academic Exchange Programs - Educational Advising and Student Services	19.432		72,866	
Public Diplomacy Programs for Afghanistan and Pakistan	19.501		354,442	
Overseas Refugee Assistance Programs for Europe	19.520			
<i>Pass-Through From Alliance for Conflict Transformation</i>	19.520			19,192
Weapons Removal and Abatement	19.800		968,434	
Total Excluding Clusters Identified Below			8,222,246	1,277,391
Research and Development Cluster:				
Iraq, Assistance Programs	19.016			
<i>Pass-Through From Institute of International Education</i>	19.016			8,125
Professional and Cultural Exchange Programs Citizen Exchanges	19.415		279	
AEECA PD Programs	19.900		227,695	
Other Assistance:				
Other Assistance	19.000	PC-12-8-062	20,499	
Workplan for Russia	19.000	SINLECO9GR0032 202490	330,275	
Total Research and Development Cluster			578,748	8,125
Total U.S. Department of State			8,800,994	1,285,516

**U.S. DEPARTMENT OF TRANSPORTATION**

Non-Stimulus:				
Airport Improvement Program	20.106		186,138	
Highway Training and Education	20.215		35,000	
National Motor Carrier Safety	20.218		4,285,055	
Performance and Registration Information Systems Management	20.231		807,867	
Commercial Driver's License Program Improvement Grant	20.232		1,319,235	
Safety Data Improvement Program	20.234		45,118	
Commercial Vehicle Information Systems and Networks	20.237		586,356	
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		51,395	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		3,116,938	
Formula Grants for Rural Areas	20.509		15,485,112	
Public Transportation Research	20.514		196,368	
Alternatives Analysis	20.522		997,447	
Alcohol Open Container Requirements	20.607		16,183,546	

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	20.614		2,180	
National Priority Safety Programs	20.616		927,791	
Pipeline Safety Program State Base Grant	20.700		1,450,025	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		464,399	
Other Assistance:				
Fatal Accident and Reporting	20.000	DTNH22-12	70,812	
Total Non-Stimulus			46,210,782	-
Stimulus (ARRA):				
High Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants - ARRA	20.319		311,793	
Formula Grants for Rural Areas	20.509		38,477	
Total Stimulus (ARRA)			350,270	-
Total Excluding Clusters Identified Below			46,561,052	-
Federal Transit Cluster:				
Federal Transit-Capital Investment Grants - ARRA	20.500		1,407,020	
Pass-Through From National Academy of Sciences	20.500			37,698
Total Federal Transit Cluster			1,407,020	37,698
Highway Planning and Construction Cluster:				
Non-Stimulus:				
Highway Planning and Construction	20.205		1,244,855,384	
Pass-Through From University of Arizona	20.205			15,072
Recreational Trails Program	20.219		641,412	
Total Non-Stimulus			1,245,496,796	15,072
Stimulus (ARRA):				
Highway Planning and Construction	20.205		49,766,480	
Total Stimulus (ARRA)			49,766,480	-
Total Highway Planning and Construction Cluster			1,295,263,276	15,072
Highway Safety Cluster:				
State and Community Highway Safety	20.600		4,572,165	
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		1,715,547	
Occupant Protection Incentive Grants	20.602		743,335	
State Traffic Safety Information System Improvement Grants	20.610		212,748	
Incentive Grant Program to Increase Motorcyclist Safety	20.612		111,270	
Child Safety and Child Booster Seats Incentive Grants	20.613		361,654	
Total Highway Safety Cluster			7,716,719	-
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		3,120,980	
Job Access and Reverse Commute Program	20.516		687,672	
New Freedom Program	20.521		1,155,955	
Total Transit Services Programs Cluster			4,964,607	-

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Research and Development Cluster:				
Aviation Research Grants	20.108			
<i>Pass-Through From University of Maryland</i>	20.108			106,796
Highway Research and Development Program	20.200		1,908,432	
<i>Pass-Through From Crash Avoidance Metric Partnership</i>	20.200			865,982
<i>Pass-Through From Engineering &amp; Software Consultants</i>	20.200			18,114
<i>Pass-Through From Leidos, Incorporated</i>	20.200			105,319
<i>Pass-Through From Purdue University</i>	20.200			49,524
<i>Pass-Through From The National Academies</i>	20.200			2,068,525
<i>Pass-Through From Western Research Institute</i>	20.200			96,569
National Motor Carrier Safety	20.218		2,152,983	
Motor Carrier Research and Technology Programs	20.239		1,776,036	
Railroad Research and Development	20.313		320,962	
<i>Pass-Through From ENSCO, Incorporated</i>	20.313			25,695
High Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants - ARRA	20.319		167,754	
Railroad Safety Technology Grants	20.321			
<i>Pass-Through From Howard University</i>	20.321			84,832
Capital Assistance Program for Reducing Energy Consumption & Greenhouse Gas Emissions	20.523			
<i>Pass-Through From Town of Blacksburg</i>	20.523			299,752
National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	20.614		518,725	
University Transportation Centers Program	20.701		2,204,463	
<i>Pass-Through From Michigan Technological University</i>	20.701			1,731
<i>Pass-Through From Pennsylvania State University</i>	20.701			338,124
<i>Pass-Through From Research Foundation of State University of New York</i>	20.701			17,423
<i>Pass-Through From Rutgers, The State University of New Jersey</i>	20.701			225,495
<i>Pass-Through From University of Idaho</i>	20.701			73,194
Research Grants	20.762		132,698	
Transportation Planning, Research and Education	20.931		52,708	
Other Assistance:				
Data Communication	20.000	DTFAWA-10-A-80015 202145	6,708	
Engine Failure Analysis	20.000	13-G-020 203093	116,925	
Evaluation of Use of Recycled Concrete	20.000	VCTIR 105184	50,346	
Evaluation of Use of Recycled Concrete	20.000	VCTIR 105184 203018	64,764	
Mapping	20.000	DTFR-13-C-00036 202885	209,721	
Other Assistance	20.000	DTFH61-08-C-00030	14,271	
Other Assistance	20.000	DTFH61-10-C-00016	284,360	
Other Assistance	20.000	DTFH61-10-C-00019	273,389	
Other Assistance	20.000	DTFH61-10-C-00032	342,678	
Other Assistance	20.000	DTFH61-10-D-00023-T-11001	224,574	
Other Assistance	20.000	DTFH61-10-D-00023-T-11002	446,676	
Other Assistance	20.000	DTFH61-11-P-00173	35,314	
Other Assistance	20.000	DTFH64-12-G-00039	384	
Other Assistance	20.000	DTFH64-12-G-00044	1,384	
Other Assistance	20.000	DTFH64-13-G-00034	4,229	
Other Assistance	20.000	DTMC75-07-D-00006	3,109	
Other Assistance	20.000	DTMC75-07-D-0006	178,343	
Other Assistance	20.000	DTMC75-12-J-00013	190,364	
Other Assistance	20.000	DTNH22-08-D-00114/0004	39,554	
Other Assistance	20.000	DTNH22-08-D-00114TO0003	23,635	
Other Assistance	20.000	DTNH22-11-D-00231/0001	672,047	
Other Assistance	20.000	DTNH22-11-D-00236/0001	909,544	
Other Assistance	20.000	DTNH22-11-D-00236/0003	497,006	
Other Assistance	20.000	DTNH22-11-D-00236/0007 TO 7	576,590	
Other Assistance	20.000	DTNH22-11-D-00236/0008	680,106	
Other Assistance	20.000	DTNH22-11-D-00236/TO 0009	793,327	
Other Assistance	20.000	DTNH22-11-D-00236/TO0011	909,666	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Other Assistance	20.000	LOG-DTFH61-10-D-00023-T-13002	482,544	
<i>Pass-Through From Crown Consulting Incorporated</i>	20.000	G00801568 202666		65,459
<i>Pass-Through From Electricore, Incorporated</i>	20.000	DTNH22-13-C-00320 203056		78,914
<i>Pass-Through From Harmonia Incorporated</i>	20.000	AGRMT DTD 3/1/12		35,882
<i>Pass-Through From Iowa State University</i>	20.000	ISU ACCT NO. 428-17-13		65,863
<i>Pass-Through From Leidos, Incorporated</i>	20.000	PO10123518-01		72,552
<i>Pass-Through From Minnesota Department Of Transportation</i>	20.000	CONTRACT 99084		86,436
<i>Pass-Through From National Academy of Sciences</i>	20.000	SUB0000051		177,352
<i>Pass-Through From National Academy of Sciences</i>	20.000	SUB0000349, TO 1.6		207,635
<i>Pass-Through From Pennsylvania State University</i>	20.000	SUB NO. 4609-VT-USDOT-TC03		427,219
<i>Pass-Through From Texas A&amp;M Research Foundation</i>	20.000	S110052		998
<i>Pass-Through From The National Academies</i>	20.000	NAS 144 TO 1.7		191,916
<i>Pass-Through From The National Academies</i>	20.000	NAS: 144 TO:3.1 PO SUB0000452		533,270
<i>Pass-Through From The National Academies</i>	20.000	SHRP S-05		2,813,453
<i>Pass-Through From The National Academies</i>	20.000	SHRP-S12A		150,981
<i>Pass-Through From TranSecurity, Limited Liability Corporation</i>	20.000	AGRMT DTD		183,734
<i>Pass-Through From Transportation Research Board of The National Academies</i>	20.000	HR 22-26		48,223
<i>Pass-Through From Transportation Research Board of The National Academies</i>	20.000	LOG-HR 17-43		20,015
<i>Pass-Through From University of Maryland</i>	20.000	DTFAWA-11-D00017 202513 202553		145,058
<i>Pass-Through From University of Maryland</i>	20.000	Z908804		28,222
<i>Pass-Through From University of Maryland</i>	20.000	Z985701		30,334
<i>Pass-Through From University of Maryland</i>	20.000	Z990006		77,607
<i>Pass-Through From Wake Forest University Health Sciences</i>	20.000	WFUHS 10144		282,021
<i>Pass-Through From Wake Forest University School of Medicine</i>	20.000	WFUHS 30045		26,229
<i>Pass-Through From Westat, Incorporated</i>	20.000	DTNH22-11-D-00237 202501 202502		132,147
<i>Pass-Through From Wisconsin Department of Transportation</i>	20.000	0092-12-11		31,015
Transportation Infrastructure	20.000	RITARS-12-H-GMU 202717	255,036	
Total Research and Development Cluster			17,521,355	10,289,610
Total U.S. Department of Transportation			1,373,434,029	10,342,380
<b>U.S. DEPARTMENT OF THE TREASURY</b>				
Other Assistance:				
Asset Forfeiture Funds - Federal Treasury	21.000		58,938,259	
Monetary Seizure- 202896	21.000		119,062	
Total U.S. Department of the Treasury			59,057,321	-
<b>APPALACHIAN REGIONAL COMMISSION</b>				
Appalachian Area Development	23.002		1,370,599	
<i>Pass-Through From Friends of Southwest Virginia</i>	23.002			19,666
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011		202,203	
<i>Pass-Through From East Tennessee State University</i>	23.011			2,982
Total Excluding Clusters Identified Below			1,572,802	22,648
Research and Development Cluster:				
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011			
<i>Pass-Through From East Tennessee State University</i>	23.011			3,986
Total Research and Development Cluster			-	3,986
Total Appalachian Regional Commission			1,572,802	26,634

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<b>OFFICE OF PERSONNEL MANAGEMENT</b>				
Other Assistance:				
Topics in Human Resources	27.000	PIA-OPM-FY14-PELA 0100 S23 209781	5,035	-
Total Office of Personnel Management			5,035	-
<b>GENERAL SERVICES ADMINISTRATION</b>				
Donation of Federal Surplus Personal Property	39.003		998,118	-
Election Reform Payments	39.011		2,265	-
Total General Services Administration			1,000,383	-
<b>LIBRARY OF CONGRESS</b>				
Other Assistance:				
Geographic Information Systems	42.000	LAW20130003	1,077	-
Total Excluding Clusters Identified Below			1,077	-
Research and Development Cluster:				
Books for the Blind and Physically Handicapped	42.001		25,262	-
Total Research and Development Cluster			25,262	-
Total Library of Congress			26,339	-
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>				
Science	43.001		389,149	-
Aeronautics	43.002		407,335	-
Total Excluding Clusters Identified Below			796,484	-
Research and Development Cluster:				
Science	43.001		6,148,478	-
<i>Pass-Through From Arizona State University</i>	43.001			16,504
<i>Pass-Through From Decision Science Research Institute</i>	43.001			249,384
<i>Pass-Through From Dixie State College</i>	43.001			9,999
<i>Pass-Through From Massachusetts Institute of Technology</i>	43.001			3,265
<i>Pass-Through From NanoSonic, Incorporated</i>	43.001			49,875
<i>Pass-Through From National Institute of Aerospace Associates</i>	43.001			405,297
<i>Pass-Through From Old Dominion University Research Foundation</i>	43.001			11,673
<i>Pass-Through From Planetary Science Institute</i>	43.001			26,441
<i>Pass-Through From Rensselaer Polytechnic Institute</i>	43.001			33,755
<i>Pass-Through From Smithsonian Astrophysical Observatory</i>	43.001			35,845
<i>Pass-Through From Smithsonian Institution</i>	43.001			31,152
<i>Pass-Through From Space Telescope Science Institute</i>	43.001			36,534
<i>Pass-Through From University of Alaska</i>	43.001			12,216
<i>Pass-Through From University of Arizona</i>	43.001			12,781
<i>Pass-Through From University of California, Santa Barbara</i>	43.001			48,681
<i>Pass-Through From University of Colorado</i>	43.001			24,999
<i>Pass-Through From University of Michigan</i>	43.001			110,615
<i>Pass-Through From University of Oklahoma</i>	43.001			366

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Woods Hole Research Center</i>	43.001			2,141
Aeronautics	43.002		97,231	
<i>Pass-Through From Space Telescope Science Institute</i>	43.002			65,307
<i>Pass-Through From University of Illinois</i>	43.002			7,645
<i>Pass-Through From Virginia Space Grant Consortium</i>	43.002			77,606
Exploration	43.003		18,907	
<i>Pass-Through From Smithsonian Astrophysical Observatory</i>	43.003			17,779
Education	43.008		27,226	
<i>Pass-Through From United Negro College Fund</i>	43.008			39,175
<i>Pass-Through From University of Alabama</i>	43.008			22,103
<i>Pass-Through From Virginia Space Grant Consortium</i>	43.008			1,054
Cross Agency Support	43.009		317,932	
Other Assistance:				
An Unexplained Frontier	43.000	NNX12AH53G 202651	81,886	
Auroral Cusp	43.000	NNX09AJ76G 201807	7,775	
Chandra Observatory	43.000	GO1-12126X 202301	4,473	
Crop Progress System	43.000	NNX09AO14G 201844	34,928	
Intergovernmental Personnel Act Agreement Nicogossian	43.000	NNG11JA02PA 201825	93,158	
Intergovernmental Personnel Act Agreement Parnell	43.000	NNG11JA02PB 202476	28,002	
Ion-Neutral Coupling	43.000	NNX10AQ64G 202173	79,030	
Ionospheric Variability	43.000	NNX09AJ74G 201817	33,752	
Mars Cartography and Landing	43.000	NNX09AN20G 201842	89,534	
Other Assistance	43.000	11696	9,269	
Other Assistance	43.000	2882-VT	10,112	
Other Assistance	43.000	2907-VT: SUP 152, 163, 169, 176	49,493	
Other Assistance	43.000	2917-VT-SUPPLEMENT 158	222,652	
Other Assistance	43.000	3771-006-VT	231,655	
Other Assistance	43.000	4740-015-VT	42,191	
Other Assistance	43.000	4740-020-VT	31,661	
Other Assistance	43.000	4740-022-VT	31,732	
Other Assistance	43.000	6312-VT	6,630	
Other Assistance	43.000	6516-VT	93,106	
Other Assistance	43.000	NNL10AA05C	43,746	
Other Assistance	43.000	NNX11AM61H	69,568	
Other Assistance	43.000	NNX13AT01H	6,890	
Other Assistance	43.000	VT-03+01,4740-014-VT SUPP153	50,897	
Other Assistance	43.000	VT-03-01 ACTIVITY 4730-006-VT	37,578	
Other Assistance	43.000	VT-03-01, ACTIV #2938-VT SP168	19,395	
Other Assistance	43.000	VT-03-01; 2921-VT; SPLMNT 160	132,480	
Other Assistance	43.000	VT-03-1, 2740-VT, SUPP 104	5,169	
<i>Pass-Through From ASRC (Arctic Slope Regional Corporation) Management Services</i>	43.000	NNG10CR16C 202308		2,421,241
<i>Pass-Through From Boeing Company</i>	43.000	PURCHASE CONTRACT NO. 592042		34,417
<i>Pass-Through From Boeing Company</i>	43.000	PO 505907		166,162
<i>Pass-Through From Catholic University Libraries</i>	43.000	NNG11PL10A 202892 202897 202948		317,167
<i>Pass-Through From Creare Incorporated</i>	43.000	202952 202961 202441		10,905
<i>Pass-Through From Hampton University</i>	43.000	70236		154,054
<i>Pass-Through From Institute for Advanced Learning &amp; Research</i>	43.000	06-001		82,242
<i>Pass-Through From Intelligent Automation Incorporated</i>	43.000	2010IALRNASANNX09AU54G		83,094
<i>Pass-Through From InuTeq Limited Liability Corporation</i>	43.000	995-1		47,903
<i>Pass-Through From Jet Propulsion Laboratory</i>	43.000	INU96		530
<i>Pass-Through From Jet Propulsion Laboratory</i>	43.000	1451822 202596 202677		11,793
<i>Pass-Through From Jet Propulsion Laboratory</i>	43.000	1376475 201777		137,586
<i>Pass-Through From Johns Hopkins University</i>	43.000	G00538389 202818 202819		99,553
<i>Pass-Through From Metron Aviation, Incorporated</i>	43.000	952679		25,424
<i>Pass-Through From Metron Aviation, Incorporated</i>	43.000	NNA10DE49C 202227		95,784
<i>Pass-Through From Metron Aviation, Incorporated</i>	43.000	NNL12AA16C 202633		

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From National Institute of Aerospace</i>	43.000	VT-03-01#2923IVT-SUPPL 170		19,284
<i>Pass-Through From Prime Photonics, Incorporated</i>	43.000	NAS 02-402-VT-TO-007		49,220
<i>Pass-Through From Princeton University</i>	43.000	NNX08AN40A 201696		125,331
<i>Pass-Through From Research South, Incorporated</i>	43.000	NNX11CC70C 202438		7,244
<i>Pass-Through From Sierra Lobo</i>	43.000	PO 051562		19,992
<i>Pass-Through From Sierra Lobo</i>	43.000	SLI=15-000-F030		24,150
<i>Pass-Through From Southwest Research Institute</i>	43.000	NASW-02008 201716		1,183
<i>Pass-Through From Southwest Research Institute</i>	43.000	NASA JPL - NNX13AG36A		7,784
<i>Pass-Through From Southwest Research Institute</i>	43.000	NASA JPL - NNX13AH84G		13,652
<i>Pass-Through From Southwest Research Institute</i>	43.000	NASA JPL - NAS703001		276,646
<i>Pass-Through From Space Telescope Science Institute</i>	43.000	HST-GO-13184-04-A		4,548
<i>Pass-Through From Space Telescope Science Institute</i>	43.000	HST-AR-13233.01-A		7,501
<i>Pass-Through From Space Telescope Science Institute</i>	43.000	HST-GO-12585.15-A		8,297
<i>Pass-Through From Space Telescope Science Institute</i>	43.000	NAS5-26555 202387		12,711
<i>Pass-Through From Space Telescope Science Institute</i>	43.000	HSTGO-12916.01-A		18,318
<i>Pass-Through From Space Telescope Science Institute</i>	43.000	48020		56,194
<i>Pass-Through From University of California at Berkeley</i>	43.000	NAS5-03131 202889		2,044
<i>Pass-Through From University of Colorado at Boulder</i>	43.000	1535979		51,699
<i>Pass-Through From University of Maryland</i>	43.000	Z659101		3,103
<i>Pass-Through From Virginia Space Grant Consortium</i>	43.000	13-165-104763		9,671
<i>Pass-Through From Western Michigan University</i>	43.000	25 7013970		15,573
<i>Pass-Through From Wyle Laboratories, Incorporated</i>	43.000	LOG-LOG-LOG-PO T72287		184,961
Russian Spacecraft I	43.000	NNX09AM07GA 201827	40,429	
Russian Spacecraft II	43.000	NNX09AM07GB 202692	58,121	
Shock Acceleration	43.000	NNX09AU98G 201877	38,143	
Solar Energetic Particle Modeling	43.000	NNG11PV53P 202291	34,201	
Solar Wind	43.000	NNX09AU37G 201875	30,229	
<b>Total Research and Development Cluster</b>			<b>8,357,659</b>	<b>5,959,153</b>
<b>Total National Aeronautics and Space Administration</b>			<b>9,154,143</b>	<b>5,959,153</b>
<b>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</b>				
Promotion of the Arts - Partnership Agreements	45.025		686,729	
<i>Pass-Through From Mid Atlantic Arts Foundation</i>	45.025			100
National Leadership Grants	45.312			
<i>Pass-Through From Science Museum of Virginia Foundation</i>	45.312			36,130
Promotion of the Arts-Grants to Organizations and Individuals	45.024		50,825	
Promotion of the Humanities-Federal/State Partnership	45.129		879,953	
Promotion of the Humanities-Division of Preservation and Access	45.149		171,819	
Promotion of the Humanities-Fellowships and Stipends	45.160		7,603	
Promotion of the Humanities-Research	45.161		138,984	
Promotion of the Humanities-Teaching and Learning Resources and Curriculum Development	45.162		142,666	
Promotion of the Humanities-Professional Development	45.163		421,416	
Promotion of the Humanities-Public Programs	45.164		121,759	
Promotion of the Humanities-Office of Digital Humanities	45.169		200,275	
Museums for America	45.301		129,500	
Museum Grants for African American History and Culture	45.309		17,951	
Grants to States	45.310		4,130,511	
National Leadership Grants	45.312		72,784	
Laura Bush 21st Century Librarian Program	45.313		46,208	
Other Assistance:				
<i>Pass-Through From Filmmakers Collaborative</i>	45.000	G00837266 202828		43,183
WebWise Conference	45.000	RE-00-11-0123-11 202485	192,883	
<b>Total Excluding Clusters Identified Below</b>			<b>7,411,866</b>	<b>79,413</b>

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Research and Development Cluster:				
Promotion of the Arts-Grants to Organizations and Individuals	45.024		36,532	
Promotion of the Humanities-Federal/State Partnership	45.129		24	
Promotion of the Humanities-Challenge Grants	45.130			
<i>Pass-Through From MetaArchived Services Group - Educopia</i>	45.130			15,010
Promotion of the Humanities-Division of Preservation and Access	45.149		5,597	
Promotion of the Humanities-Fellowships and Stipends	45.160		146,448	
Promotion of the Humanities-Research	45.161		511,045	
Promotion of the Humanities-Public Programs	45.164		39,954	
Promotion of the Humanities-Office of Digital Humanities	45.169		231,628	
Museums for America	45.301		47,399	
<i>Pass-Through From National Audubon Society</i>	45.301			77,141
National Leadership Grants	45.312		4,248	
<i>Pass-Through From University of Oregon</i>	45.312			87,149
Total Research and Development Cluster			1,022,875	179,300
Total National Foundation on the Arts and the Humanities			8,434,741	258,713
<b>NATIONAL SCIENCE FOUNDATION</b>				
Non-Stimulus:				
Engineering Grants	47.041		802,336	
<i>Pass-Through From New College Foundation</i>	47.041			150,770
Mathematical and Physical Sciences	47.049		644,232	
Geosciences	47.050		866,694	
<i>Pass-Through From El Paso Community College</i>	47.050			14,544
<i>Pass-Through From National Science Foundation</i>	47.050			32,952
<i>Pass-Through From Rutgers, The State University</i>	47.050			11,013
Computer and Information Science and Engineering	47.070		225,931	
<i>Pass-Through From University of Colorado</i>	47.070			21,799
Biological Sciences	47.074		136,460	
<i>Pass-Through From National Science Foundation</i>	47.074			28,987
<i>Pass-Through From University of Washington</i>	47.074			1,180
Social, Behavioral, and Economic Sciences	47.075		52,614	
<i>Pass-Through From University of California San Diego</i>	47.075			1,450
<i>Pass-Through From University of Wisconsin-Madison</i>	47.075			1,966
<i>Pass-Through From Virginia Space Grant Consortium</i>	47.075			55,214
Education and Human Resources	47.076		6,007,148	
<i>Pass-Through From American Association of Community Colleges</i>	47.076			473
<i>Pass-Through From City College of New York Institute</i>	47.076			26
<i>Pass-Through From Earlham College</i>	47.076			19,711
<i>Pass-Through From Howard University</i>	47.076			70,793
<i>Pass-Through From Illinois State University</i>	47.076			1,888
<i>Pass-Through From Kentucky Community and Technical College System</i>	47.076			9,261
<i>Pass-Through From Old Dominion University Research Foundation</i>	47.076			88,820
<i>Pass-Through From Presidents &amp; Fellows Harvard College</i>	47.076			20,571
<i>Pass-Through From Prince George's Community College</i>	47.076			69,376
<i>Pass-Through From Stevens Institute of Technology</i>	47.076			3,700
<i>Pass-Through From University of Maryland</i>	47.076			37,242
<i>Pass-Through From Virginia Military Institute Research Labs</i>	47.076			157,575
Office of International and Integrative Activities	47.079		185,794	
Other Assistance:				
Online Teaching of Calculus	47.000	DRL-1252625	95,791	
Other Assistance	47.000	CMMI 1041460	215,899	
Other Assistance	47.000	DUE-1148755-002	30,777	

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Other Assistance	47.000	ENG-1341205	239,173	
<i>Pass-Through From Stevens Institute of Technology</i>	47.000	1203198 203082		1,361
<i>Pass-Through From The Physics Teacher Education Coalition</i>	47.000	MOU EXECUTED 07/24/2013		92,279
Total Non-Stimulus			9,502,849	892,951
Stimulus (ARRA):				
Trans-NSF Recovery Act Research Support	47.082		144,404	
Total Stimulus (ARRA)			144,404	-
Total Excluding Clusters Identified Below			9,647,253	892,951
Research and Development Cluster:				
Non-Stimulus:				
Engineering Grants	47.041		15,757,785	
<i>Pass-Through From Ball State University</i>	47.041			38,671
<i>Pass-Through From Cell Free Bioinnovation Incorporated</i>	47.041			45,956
<i>Pass-Through From Clemson University</i>	47.041			89,527
<i>Pass-Through From Echo Ridge Limited Liability Company</i>	47.041			19,989
<i>Pass-Through From Iowa State University</i>	47.041			422,483
<i>Pass-Through From MaxPower, Incorporated</i>	47.041			7,890
<i>Pass-Through From NBE Technologies, Limited Liability Corporation</i>	47.041			30,275
<i>Pass-Through From North Carolina State University</i>	47.041			461,686
<i>Pass-Through From Pennsylvania State University</i>	47.041			85,627
<i>Pass-Through From Purdue University</i>	47.041			20,654
<i>Pass-Through From QuantTera</i>	47.041			37,564
<i>Pass-Through From Texas A&amp;M University</i>	47.041			76,413
<i>Pass-Through From University of Arizona</i>	47.041			82,536
<i>Pass-Through From University of Connecticut</i>	47.041			54,000
<i>Pass-Through From University of Michigan - Ann Arbor</i>	47.041			568
<i>Pass-Through From University of Minnesota</i>	47.041			76,806
<i>Pass-Through From University of Wisconsin Milwaukee</i>	47.041			18,323
Mathematical and Physical Sciences	47.049		14,759,501	
<i>Pass-Through From Case Western Reserve University</i>	47.049			45,817
<i>Pass-Through From Cornell University</i>	47.049			64,015
<i>Pass-Through From Pennsylvania State University</i>	47.049			13,000
<i>Pass-Through From The University of Texas at Austin</i>	47.049			127,646
<i>Pass-Through From University of California, Davis</i>	47.049			77,090
<i>Pass-Through From University of Chicago</i>	47.049			71,587
<i>Pass-Through From University of Minnesota Twin Cities</i>	47.049			55,807
<i>Pass-Through From University of Notre Dame</i>	47.049			6,834
<i>Pass-Through From University of Pennsylvania</i>	47.049			47,397
<i>Pass-Through From University of Texas at San Antonio</i>	47.049			84,610
<i>Pass-Through From University of Washington</i>	47.049			37,962
<i>Pass-Through From University of Wisconsin-Madison</i>	47.049			9,102
Geosciences	47.050		5,997,736	
<i>Pass-Through From Arizona State University</i>	47.050			15,333
<i>Pass-Through From Bermuda Institute of Ocean Sciences</i>	47.050			38,378
<i>Pass-Through From Colorado State University</i>	47.050			54,580
<i>Pass-Through From Consortium For Ocean Leadership</i>	47.050			13,281
<i>Pass-Through From Florida International University</i>	47.050			24,919
<i>Pass-Through From Joint Oceanographic Institutions, Incorporated</i>	47.050			71
<i>Pass-Through From Mississippi State University</i>	47.050			849
<i>Pass-Through From The University of Texas at Arlington</i>	47.050			15,756
<i>Pass-Through From University of Colorado at Boulder</i>	47.050			15,244
<i>Pass-Through From University of Georgia</i>	47.050			46,779

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From University of Puerto Rico</i>	47.050			12,484
<i>Pass-Through From University of Southern California</i>	47.050			3,640
Computer and Information Science and Engineering	47.070		14,555,583	
<i>Pass-Through From Computing Research Association, Incorporated</i>	47.070			72,631
<i>Pass-Through From George Washington University</i>	47.070			11,270
<i>Pass-Through From Rensselaer Polytechnic Institute</i>	47.070			19,272
<i>Pass-Through From Rutgers, The State University of New Jersey</i>	47.070			94,014
<i>Pass-Through From The College Board</i>	47.070			1,127
<i>Pass-Through From University of Colorado</i>	47.070			90,220
<i>Pass-Through From University of Florida</i>	47.070			26,176
<i>Pass-Through From University of Massachusetts-Boston</i>	47.070			6,147
<i>Pass-Through From University of Wisconsin Madison</i>	47.070			45,459
Biological Sciences	47.074		11,735,542	
<i>Pass-Through From Auburn University</i>	47.074			1,745
<i>Pass-Through From Cornell University</i>	47.074			7,822
<i>Pass-Through From Duke University</i>	47.074			390,030
<i>Pass-Through From Michigan State University</i>	47.074			217,958
<i>Pass-Through From Nanofoundry, Limited Liability Company</i>	47.074			11,248
<i>Pass-Through From Northeastern University</i>	47.074			54,405
<i>Pass-Through From The New York Botanical Garden</i>	47.074			8,884
<i>Pass-Through From University of California, Davis</i>	47.074			180,839
<i>Pass-Through From University of Georgia</i>	47.074			96,481
<i>Pass-Through From University of South Florida</i>	47.074			7,311
Social, Behavioral, and Economic Sciences	47.075		2,041,635	
<i>Pass-Through From Carnegie Mellon University</i>	47.075			6,803
<i>Pass-Through From RAND Corporation</i>	47.075			6,789
<i>Pass-Through From Southern Illinois University Edwardsville</i>	47.075			1,581
<i>Pass-Through From Temple University</i>	47.075			7,885
<i>Pass-Through From The Pennsylvania State University</i>	47.075			15,688
<i>Pass-Through From University of California, San Diego</i>	47.075			26,778
<i>Pass-Through From University of Washington</i>	47.075			54,978
Education and Human Resources	47.076		11,129,767	
<i>Pass-Through From American Educational Research Association</i>	47.076			9,159
<i>Pass-Through From American Psychological Association</i>	47.076			22,146
<i>Pass-Through From Biological Sciences Curriculum Study</i>	47.076			92,619
<i>Pass-Through From George Washington University</i>	47.076			61,172
<i>Pass-Through From Howard University</i>	47.076			80,637
<i>Pass-Through From National Center for Science &amp; Civic Engagement</i>	47.076			109
<i>Pass-Through From Research Triangle Institute</i>	47.076			43,602
<i>Pass-Through From Trinity University</i>	47.076			3,053
<i>Pass-Through From University of California at Los Angeles</i>	47.076			473
<i>Pass-Through From University of Maryland</i>	47.076			11,559
<i>Pass-Through From Vanderbilt University</i>	47.076			3,380
<i>Pass-Through From Villanova University</i>	47.076			6,850
Polar Programs	47.078		342,400	
<i>Pass-Through From Columbia University</i>	47.078			159,020
<i>Pass-Through From University of Colorado at Boulder</i>	47.078			30,941
Office of International and Integrative Activities	47.079		167,454	
<i>Pass-Through From University of New Mexico</i>	47.079			38,641
Office of Cyberinfrastructure	47.080		1,206,435	
<i>Pass-Through From Indiana University</i>	47.080			65,057
<i>Pass-Through From Purdue University</i>	47.080			28,090
<i>Pass-Through From University of Colorado at Boulder</i>	47.080			12,896
<i>Pass-Through From University of Illinois</i>	47.080			482,973
<i>Pass-Through From University of Maryland</i>	47.080			336,557

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From University of North Carolina-Chapel Hill</i>	47.080			24,905
<i>Pass-Through From Utah State University</i>	47.080			69,854
Trans-NSF Recovery Act Research Support	47.082			
<i>Pass-Through From Drexel University</i>	47.082			142,674
<i>Pass-Through From University of California, Davis</i>	47.082			47,748
<i>Pass-Through From University of New Mexico</i>	47.082			79,282
Other Assistance:				
Building Complex Systems	47.000	EFRI-1055489 202175	12,170	
Computational Topology	47.000	DMS-1114923	57,905	
Engineering Systems Stipends	47.000	DMS-1062633 202380 202381	107,963	
Intergovernmental Personnel Act Agreement Kant	47.000	CNS-1063801 202212	85,566	
Intergovernmental Personnel Act Agreement Sauer	47.000	DMS-1326144 202866	30,374	
Other Assistance	47.000	DUE - 1245673	43,697	
Other Assistance	47.000	DGE-1324586	962,261	
<i>Pass-Through From Georgia Institute of Technology</i>	47.000	SMA-1063901 202394		30,097
<i>Pass-Through From Predictive Science, Incorporated</i>	47.000	AGS-1249270 202906		48,737
<i>Pass-Through From University of Arkansas Fayetteville</i>	47.000	SA1211009		10,052
<b>Total Non-Stimulus</b>			<b>78,993,774</b>	<b>5,856,973</b>
Stimulus (ARRA):				
Trans-NSF Recovery Act Research Support	47.082		5,249,905	
<i>Pass-Through From DePaul University</i>	47.082			18,268
<i>Pass-Through From Old Dominion University Research Foundation</i>	47.082			50,949
<i>Pass-Through From Regents of the University of Minnesota</i>	47.082			41,482
<i>Pass-Through From University of New Mexico</i>	47.082			1,809
<b>Total Stimulus (ARRA)</b>			<b>5,249,905</b>	<b>112,508</b>
<b>Total Research and Development Cluster</b>			<b>84,243,679</b>	<b>5,969,481</b>
<b>Total National Science Foundation</b>			<b>93,890,932</b>	<b>6,862,432</b>
<b>SMALL BUSINESS ADMINISTRATION</b>				
Small Business Development Centers	59.037		3,134,330	
<i>Pass-Through From Community Business Partnership</i>	59.037			110,897
Federal and State Technology Partnership Program	59.058		38,482	
State Trade and Export Promotion Pilot Grant Program	59.061		315,905	
Entrepreneurial Development Disaster Assistance (Disaster Relief Appropriations Act)	59.064		22,397	
Other Assistance:				
<i>Pass-Through From Raytheon Systems</i>	59.000	HQ0006 202586 202953 202977		198,282
<b>Total Excluding Clusters Identified Below</b>			<b>3,511,114</b>	<b>309,179</b>
Research and Development Cluster:				
Other Assistance:				
Mine Safety	59.000	SBAHQ-10-I-0280	10,498	
<b>Total Research and Development Cluster</b>			<b>10,498</b>	<b>-</b>
<b>Total Small Business Administration</b>			<b>3,521,612</b>	<b>309,179</b>

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>				
Grants to States for Construction of State Home Facilities	64.005		129,702	
Veterans State Domiciliary Care	64.014		576,556	
Veterans State Nursing Home Care	64.015		12,830,615	
Burial Expenses Allowance for Veterans	64.101		847,373	
Veterans Information and Assistance	64.115		8,968	
All-Volunteer Force Educational Assistance	64.124		702,632	
State Cemetery Grants	64.203		714,322	
Other Assistance:				
IPA FOR CARI ROSOFF	64.000		16,211	
IPA FOR ROBERT MCNAMARA	64.000		1,827	
<i>Pass-Through From The Green Technology Group, Limited Liability Company</i>	64.000	VA245-13-C-0087-688-C30452 203187		28,803
Total Excluding Clusters Identified Below			15,828,206	28,803
Research and Development Cluster:				
Veterans State Hospital Care	64.016			
<i>Pass-Through From James A Haley Veteran's Hospital</i>	64.016			91,530
Other Assistance:				
Asymptomatic Carotid Stenosis	64.000	VA-512-D15086 202631	8,323	
Carotid Stenosis	64.000	512-D3-0033202962	31,750	
Intergovernmental Personnel Act Agreement Data Analysis	64.000	202982	18,971	
Intergovernmental Personnel Act Agreement Giang	64.000	202949	16,382	
Intergovernmental Personnel Act Agreement Phan Giang	64.000	203196	6,649	
Intergovernmental Personnel Act Agreement Tran Yang	64.000	203239	5,331	
Intergovernmental Personnel Act Agreement Wojtusiak	64.000	1 202944	5,316	
Intergovernmental Personnel Act Agreement Wojtusiak	64.000	2 203151	20,240	
Intergovernmental Personnel Act Agreement Yang	64.000	202966	42,687	
IPA FOR JACOB LEE	64.000		24,835	
Other Assistance	64.000	IPA FOR LUSHA ZHU	19,677	
Total Research and Development Cluster			200,161	91,530
Total U.S. Department of Veterans Affairs			16,028,367	120,333
<b>ENVIRONMENTAL PROTECTION AGENCY</b>				
State Indoor Radon Grants	66.032		53,379	
Surveys Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		703,931	
State Clean Diesel Grant Program - ARRA	66.040		116,825	
Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123			
<i>Pass-Through From George Washington University</i>	66.123			18,372
Congressionally Mandated Projects	66.202		16,400	
State Public Water System Supervision	66.432		2,072,204	
Targeted Watersheds Grants	66.439		192,410	
Water Quality Management Planning - ARRA	66.454		264,143	
Nonpoint Source Implementation Grants	66.460		3,367,225	
Chesapeake Bay Program	66.466		4,469,660	
<i>Pass-Through From National Fish and Wildlife Foundation</i>	66.466			53,891
<i>Pass-Through From Science Museum of Virginia Foundation</i>	66.466			3,705
Water Protection Grants to the States	66.474		114,281	
P3 Award: National Student Design Competition for Sustainability	66.516		26,006	
Performance Partnership Grants	66.605		8,693,640	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		365,672	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		200,511	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Pollution Prevention Grants Program	66.708		45,248	
Source Reduction Assistance	66.717		26,049	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements - ARRA	66.802		357,316	
Underground Storage Tank Prevention, Detection, and Compliance Program	66.804		835,024	
Leaking Underground Storage Tank Trust Fund Corrective Action Program - ARRA	66.805		1,581,550	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809		141,607	
Total Excluding Clusters Identified Below			23,643,081	75,968
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458		26,780,301	
Total Clean Water State Revolving Fund Cluster			26,780,301	-
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468		19,002,820	
Total Drinking Water State Revolving Fund Cluster			19,002,820	-
Research and Development Cluster:				
Surveys Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		57,066	
National Estuary Program	66.456			
<i>Pass-Through From North Carolina Department of Natural Resources</i>	66.456			28,369
Nonpoint Source Implementation Grants	66.460		87,229	
Regional Wetland Program Development Grants	66.461		350,385	
<i>Pass-Through From Delaware Center for Inland Bays</i>	66.461			19,505
Chesapeake Bay Program	66.466		1,917,407	
<i>Pass-Through From Chesapeake Bay Foundation Incorporated</i>	66.466			42,332
<i>Pass-Through From Farm Pilot Project Coordination, Incorporated</i>	66.466			90,548
<i>Pass-Through From National Fish and Wildlife Foundation</i>	66.466			201,289
<i>Pass-Through From University of Maryland</i>	66.466			21,279
Beach Monitoring and Notification Program Implementation Grants	66.472		276,209	
Science To Achieve Results (STAR) Research Program	66.509		386,928	
<i>Pass-Through From Washington University</i>	66.509			57,008
Science To Achieve Results (STAR) Fellowship Program	66.514		58,981	
P3 Award: National Student Design Competition for Sustainability	66.516		6,020	
Performance Partnership Grants	66.605		858,275	
Environmental Policy and Innovation Grants	66.611		8,536	
Other Assistance:				
<i>Pass-Through From CDM Chicago</i>	66.000	AGRMT DTD 2/1/11		11,136
Total Research and Development Cluster			4,007,036	471,466
Total Environmental Protection Agency			73,433,238	547,434
<b>NUCLEAR REGULATORY COMMISSION</b>				
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006		67,624	
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008		404,862	
Total Excluding Clusters Identified Below			472,486	-

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Research and Development Cluster:				
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006			
<i>Pass-Through From University of California, Berkeley</i>	77.006			63,785
<i>Pass-Through From University of Tennessee</i>	77.006			15,529
U.S. Nuclear Regulatory Commission Minority Serving Institutions Program (MSIP)	77.007		58,687	
Other Assistance:				
Other Assistance	77.000	NRC-HQ-12-G-38-0019	27,141	
Total Research and Development Cluster			85,828	79,314
Total Nuclear Regulatory Commission			558,314	79,314
<b>U.S. DEPARTMENT OF ENERGY</b>				
Non-Stimulus:				
State Energy Program	81.041		1,470,511	
Weatherization Assistance for Low-Income Persons	81.042		4,954,788	
<i>Pass-Through From Total Action Against Poverty in Roanoke Valley</i>	81.042			10,621
Office of Science Financial Assistance Program	81.049		15,000	
Conservation Research and Development	81.086		74	
Renewable Energy Research and Development	81.087		179	
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106			
<i>Pass-Through From Southern States Energy Board</i>	81.106			4,815
State Energy Program Special Projects	81.119		781,964	
Nuclear Energy Research, Development and Demonstration	81.121		196,742	
Other Assistance:				
Other Assistance	81.000	IPA EXECUTED 10/6/11	266,790	
Other Assistance	81.000	IPA MIEE12270	222,264	
Total Non-Stimulus			7,908,312	15,436
Stimulus (ARRA):				
State Energy Program	81.041		1,620	
Weatherization Assistance for Low-Income Persons	81.042		3,650,019	
Renewable Energy Research and Development	81.087		124,347	
<i>Pass-Through From Arizona Geological Survey</i>	81.087			133,762
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122		212,303	
Energy Efficiency & Conservation Block Grant Program (EECBG) - ARRA	81.128		42,417	
<i>Pass-Through From City of Chesapeake/Norfolk</i>	81.128			30,767
Total Stimulus (ARRA)			4,030,706	164,529
Total Excluding Clusters Identified Below			11,939,018	179,965
Research and Development Cluster:				
Non-Stimulus:				
State Energy Program	81.041		237,912	
<i>Pass-Through From Argonne National Laboratory</i>	81.041			51,921
Office of Science Financial Assistance Program	81.049		13,158,489	
<i>Pass-Through From Cell Free Bioinnovation Incorporated</i>	81.049			60,491
<i>Pass-Through From Colorado State University</i>	81.049			168,870
<i>Pass-Through From Cornell University</i>	81.049			55,908
<i>Pass-Through From Institute for Advanced Learning &amp; Research</i>	81.049			50,614
<i>Pass-Through From Michigan State University</i>	81.049			149,443
<i>Pass-Through From NBE Technologies, Limited Liability Corporation</i>	81.049			1,503
<i>Pass-Through From Ohio State University Research Foundation</i>	81.049			71,665

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Oregon State University</i>	81.049			43,783
<i>Pass-Through From Pennsylvania State University</i>	81.049			154,911
<i>Pass-Through From Tulane University</i>	81.049			7,898
<i>Pass-Through From University of Michigan - Ann Arbor</i>	81.049			98,150
Office of Scientific and Technical Information	81.064		45,232	
Regional Biomass Energy Programs	81.079		180,861	
<i>Pass-Through From South Dakota State University</i>	81.079			27,497
Conservation Research and Development	81.086		271,057	
<i>Pass-Through From Oak Ridge Institute for Science and Education</i>	81.086			24,296
<i>Pass-Through From Pennsylvania State University</i>	81.086			278,643
Renewable Energy Research and Development	81.087		841,370	
<i>Pass-Through From Antares Group Incorporated</i>	81.087			44,740
<i>Pass-Through From Fugro William Lettis &amp; Associates, Incorporated</i>	81.087			26,787
<i>Pass-Through From Giner Electrochemical Systems Limited Liability Corporation</i>	81.087			99,599
<i>Pass-Through From North Carolina State University</i>	81.087			51,153
<i>Pass-Through From South Dakota State University</i>	81.087			33,215
<i>Pass-Through From University of Connecticut</i>	81.087			3,788
<i>Pass-Through From University of Florida</i>	81.087			46,841
<i>Pass-Through From Virginia Electric &amp; Power Company</i>	81.087			85,552
Fossil Energy Research and Development	81.089		3,787,890	
<i>Pass-Through From University of Kentucky</i>	81.089			59,053
Epidemiology and Other Health Studies Financial Assistance Program	81.108			
<i>Pass-Through From Pennsylvania State University</i>	81.108			(34,562)
Stewardship Science Grant Program	81.112			
<i>Pass-Through From Regents University of California Los Angeles</i>	81.112			40,202
Defense Nuclear Nonproliferation Research	81.113		363,983	
<i>Pass-Through From United States Civilian Research and Development Foundation</i>	81.113			635,859
Nuclear Energy Research, Development and Demonstration	81.121		229,465	
<i>Pass-Through From Fermi Research Alliance, Limited Liability Corporation</i>	81.121			3,670
<i>Pass-Through From Ohio State University Research Foundation</i>	81.121			1,032
<i>Pass-Through From University of California, Berkeley</i>	81.121			16,100
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122		333,392	
<i>Pass-Through From City of Virginia Beach</i>	81.122			3,838
<i>Pass-Through From PJM Interconnection, Limited Liability Corporation</i>	81.122			62,579
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123		485,017	
Advanced Research and Projects Agency - Energy	81.135			
<i>Pass-Through From General Electric Energy</i>	81.135			178,994
<i>Pass-Through From Hughes Research Laboratory, Limited Liability Corporation</i>	81.135			241,228
<i>Pass-Through From Ideal Power Converters</i>	81.135			86,974
<i>Pass-Through From Texas A&amp;M AgriLife Research</i>	81.135			28,324
Other Assistance:				
Energy Utilization	81.000	XCO-0-40599-01 202076	102,980	
Grain Diffusion	81.000	DE-FG02-01ER45871 202519	89,073	
Other Assistance	81.000	4000099824	28,044	
Other Assistance	81.000	4000121943	42,359	
Other Assistance	81.000	4000126808	150,920	
Other Assistance	81.000	4000129265	21,442	
Other Assistance	81.000	DE-FG02-05ER15658	102,028	
Other Assistance	81.000	LOG-DE-FG02-05ER15751	153,747	
Other Assistance	81.000	SUBCONTRACT 4000113197	3,412	
Other Assistance	81.000	SUBCONTRACT 4000122683	98,643	
Other Assistance	81.000	SUBCONTRACT NO. XHD-4-42003-01	86,378	
Other Assistance	81.000		104,980	
<i>Pass-Through From Babcock &amp; Wilcox Technical Services Pantex, Limited Liability Corporation</i>	81.000	PO 0000023257		171,610
<i>Pass-Through From Battelle</i>	81.000	215686		59,093

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Bechtel Marine Propulsion</i>	81.000	PURCHASE ORDER 7015060		42,519
<i>Pass-Through From Brookhaven National Laboratory</i>	81.000	NO. 200916		43,395
<i>Pass-Through From Georgia Institute of Technology</i>	81.000	RA338-G2		69,975
<i>Pass-Through From Georgia Institute of Technology</i>	81.000	RA968-S2		34,875
<i>Pass-Through From Georgia Institute of Technology</i>	81.000	RD537-S4		64,910
<i>Pass-Through From Idaho National Laboratory</i>	81.000	122418		32,799
<i>Pass-Through From Lawrence Berkeley National Laboratory</i>	81.000	7048974		123,336
<i>Pass-Through From Los Alamos National Laboratory</i>	81.000	87690-001-11		86,121
<i>Pass-Through From Pacific Northwest National Laboratory</i>	81.000	148006		24,546
<i>Pass-Through From Pacific Northwest National Laboratory</i>	81.000	202089		65,711
<i>Pass-Through From Pacific Northwest National Laboratory</i>	81.000	215648		92,786
<i>Pass-Through From Pacific Northwest National Laboratory</i>	81.000	233298		4,564
<i>Pass-Through From Savannah River Nuclear Solutions, Limited Liability Corporation</i>	81.000	0000138740		65,168
<i>Pass-Through From Siemens Energy, Incorporated</i>	81.000	DE-FC26-05NT42644-SUB026		1,642
<i>Pass-Through From Siemens Energy, Incorporated</i>	81.000	PO 6500018226		57,329
<i>Pass-Through From Southeastern Universities Research Association</i>	81.000	JSA 13-A0910		21,268
<i>Pass-Through From United Research Services Corporation</i>	81.000	31:4000.2.600.232.002.000.008		58,153
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 23: 1.600.999.002.000		8,886
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 43: 4000.2.683.062.001.611		54,293
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 44: 4000.2.683.062.001.631		42,103
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 45: 4000.2.683.062.001.654		25,502
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 46: 4000.3.622.053.001.231		23,910
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 47: 4000.3.671.052.001.411		33,132
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 48: 4000.2.683.062.001.546		65,170
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 49: 4000.2.683.062.001.536		28,255
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 51: 4000.4.641.001.534		42,906
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 53: 4000.4.605.920.009.821		54,142
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 55: 4000.4.605.920.009.531.0		49,664
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 56: 400U.STUTRAVLIRD		856
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 57: 4000.6.670.998.001.111		11,762
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 58: 4000.4.605.920.012.821		33,040
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 59: 4000.3.622.053.002.234		45,944
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 60: 04000.2.683.062.002.632		25,136
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 61: 4000.2.683.062.002.612		55,554
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 62: 4000.2.683.062.002.655		22,055
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 64: 4000.3.671.052.002.411		45,571
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 65: 4000.2.683.068.002.216		38,205
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 66: 4000.4.605.920.012.522		42,536
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 67: 2.600.220.001.541		38,727
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 68U: 4000.4.641.061.002.513		70,717
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO 69: 4000.4.641.061.002.511		51,250
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO: 63: 4000.4.605.920.012.532		29,959
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO: 50: 4000.4.605.920.009.531		28,438
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO: 52: 4000.4.641.061.001.531		54,756
<i>Pass-Through From United Research Services Corporation</i>	81.000	TO42: 4000.2.600.220.001.922		18,622
Total Non-Stimulus			20,918,674	5,121,450
Stimulus (ARRA):				
State Energy Program	81.041		1,039,497	
Office of Science Financial Assistance Program	81.049		565,754	
<i>Pass-Through From Jefferson Science Associates, Limited Liability Corporation</i>	81.049			12,892
<i>Pass-Through From Pennsylvania State University</i>	81.049			331,561
<i>Pass-Through From University of Southern California</i>	81.049			163,378
Conservation Research and Development	81.086		874,310	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Advanced Research and Projects Agency - Energy	81.135		1,052,501	
Total Stimulus (ARRA)			3,532,062	507,831
Total Research and Development Cluster			24,450,736	5,629,281
Total U.S. Department of Energy			36,389,754	5,809,246
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Non-Stimulus:				
Adult Education-Basic Grants to States	84.002		13,450,757	
Title I Grants to Local Educational Agencies	84.010		234,942,954	
<i>Pass-Through From Virginia Association of Elementary School Principals</i>	84.010			112,200
Migrant Education-State Grant Program	84.011		851,177	
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		1,902,165	
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	84.015		326,660	
Undergraduate International Studies and Foreign Language Programs	84.016		120,338	
Overseas Programs-Group Projects Abroad	84.021		85,532	
Higher Education-Institutional Aid	84.031		12,532,384	
Federal Family Education Loans	84.032		1,248	
Career and Technical Education-Basic Grants to States	84.048		22,051,848	
Fund for the Improvement of Postsecondary Education	84.116		101,196	
<i>Pass-Through From LaGuardia Community College, City University of New York</i>	84.116			5,034
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126		81,431,805	
Rehabilitation Long-Term Training	84.129		409,220	
National Institute on Disability and Rehabilitation Research	84.133		100,355	
Migrant Education-Coordination Program	84.144		124,397	
Business and International Education Projects	84.153		1,981	
Rehabilitation Services-Client Assistance Program	84.161		147,286	
Independent Living-State Grants	84.169		395,377	
Javits Fellowships	84.170		75,728	
Rehabilitation Services-Independent Living Services for Older Individuals Who are Blind	84.177		843,985	
Special Education-Grants for Infants and Families	84.181		10,137,143	
Safe and Drug-Free Schools and Communities-National Programs	84.184		16,195	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		506,144	
Bilingual Education_Professional Development	84.195		2,158	
Education for Homeless Children and Youth	84.196		1,380,458	
Graduate Assistance in Areas of National Need	84.200		212,947	
Fund for the Improvement of Education	84.215			
<i>Pass-Through From McComb School District</i>	84.215			6,641
<i>Pass-Through From Montgomery County Public Schools</i>	84.215			2,082
<i>Pass-Through From Wythe County Public Schools</i>	84.215			20,478
Centers for International Business Education	84.220			
<i>Pass-Through From University of Illinois</i>	84.220			1,500
Assistive Technology	84.224		1,772,964	
Rehabilitation Services Demonstration and Training Programs	84.235		138,442	
Program of Protection and Advocacy of Individual Rights	84.240		171,021	
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265		107,904	
Ready to Teach	84.286		134,916	
Twenty-First Century Community Learning Centers	84.287		17,539,344	
<i>Pass-Through From Caroline County Virginia Public Schools</i>	84.287			6,400
State Grants for Innovative Programs	84.298			
<i>Pass-Through From National Writing Project</i>	84.298			14,677
Education Research, Development and Dissemination	84.305			
<i>Pass-Through From University of Connecticut</i>	84.305			21,546

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Special Education-State Personnel Development	84.323		1,053,721	
Special Education-Personnel Development to Improve Services and Results for Children with Disabilities	84.325		820,982	
Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		216,814	
Advanced Placement Program (Advanced Placement Test Fee: Advanced Placement Incentive Program Grants)	84.330		353,905	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		610,873	
Child Care Access Means Parents in School	84.335		17,560	
Assistive Technology-State Grants for Protection and Advocacy	84.343		16,194	
Transition to Teaching	84.350		205,028	
Rural Education	84.358		1,809,715	
School Leadership	84.363		818,592	
English Language Acquisition Grants	84.365		13,122,551	
Mathematics and Science Partnerships	84.366		2,562,944	
<i>Pass-Through From Old Dominion University Research Foundation</i>	84.366			15,945
Improving Teacher Quality State Grants	84.367		44,716,862	
<i>Pass-Through From National Writing Project</i>	84.367			69,778
Grants for State Assessments and Related Activities	84.369		16,583,173	
College Access Challenge Grant Program	84.378		1,316,294	
Baccalaureate Degrees in Science, Technology, Engineering, Mathematics, and Critical Foreign Languages and Masters Degrees in Science, Technology, Engineering, Mathematics, and Critical Foreign Languages	84.381		38,723	
Strengthening Minority-Serving Institutions	84.382		482,666	
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation Fund, Recovery Act	84.396		83,193	
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407		399,348	
National Writing Project	84.928			
<i>Pass-Through From National Writing Project</i>	84.928			1,015
Other Assistance:				
<i>Pass-Through From Loudoun County Public Schools</i>	84.000	U215X100327 202293		166,375
<i>Pass-Through From Salus University</i>	84.000	H325V090001 202693 203014		28,069
Virginia Assistive Technology Services	84.000	14-096203128	98,163	
<b>Total Excluding Clusters Identified Below</b>			<b>487,343,330</b>	<b>471,740</b>
School Improvement Grants Cluster:				
Non-Stimulus:				
School Improvement Grants	84.377		8,524,466	
School Improvement Grants, Recovery Act	84.388		92,396	
<b>Total Non-Stimulus</b>			<b>8,616,862</b>	<b>-</b>
Stimulus (ARRA):				
School Improvement Grants, Recovery Act	84.388		10,202,921	
<b>Total Stimulus (ARRA)</b>			<b>10,202,921</b>	<b>-</b>
<b>Total School Improvement Grants Cluster</b>			<b>18,819,783</b>	<b>-</b>
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027		307,115,456	
Special Education-Preschool Grants	84.173		8,483,393	
<b>Total Special Education Cluster (IDEA)</b>			<b>315,598,849</b>	<b>-</b>

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Statewide Data Systems Cluster:				
Non-Stimulus:				
Statewide Longitudinal Data Systems	84.372			
<i>Pass-Through From Nevada Department of Education</i>	84.372			162,099
Total Non-Stimulus			-	162,099
Stimulus (ARRA):				
Statewide Data Systems, Recovery Act	84.384		3,032,143	
Total Stimulus (ARRA)			3,032,143	-
Total Statewide Data Systems Cluster			3,032,143	162,099
Student Financial Assistance Programs Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		8,901,287	
Federal Work-Study Program - ARRA	84.033		9,676,131	
Federal Perkins Loan Program-Federal Capital Contributions	84.038		78,215,364	
Federal Pell Grant Program - ARRA	84.063		440,055,581	
Federal Direct Student Loans	84.268		1,309,071,692	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		185,471	
Postsecondary Education Scholarships for Veterans Dependents	84.408		15,835	
Total Student Financial Assistance Programs			1,846,121,361	-
Teacher Incentive Fund Cluster:				
Teacher Incentive Fund	84.374			
<i>Pass-Through From The Community Training and Assistance Center</i>	84.374			170,776
Total Teacher Incentive Fund Cluster			-	170,776
Teacher Quality Partnership Grants Cluster:				
Stimulus (ARRA):				
Teacher Quality Partnerships, Recovery Act	84.405		1,730,164	
Total Teacher Quality Partnership Grants Cluster			1,730,164	-
Trio Cluster:				
TRIO-Student Support Services	84.042		4,924,368	
TRIO-Talent Search	84.044		1,482,554	
TRIO-Upward Bound	84.047		4,374,611	
TRIO-Educational Opportunity Centers	84.066		378,613	
Total Trio Cluster			11,160,146	-
Research and Development Cluster:				
Non-Stimulus:				
Adult Education-Basic Grants to States	84.002		23,101	
Fund for the Improvement of Postsecondary Education	84.116		187,080	
National Institute on Disability and Rehabilitation Research	84.133		1,635,594	
<i>Pass-Through From Southwestern Educational Development Laboratory</i>	84.133			185,568
<i>Pass-Through From Transcen Incorporated</i>	84.133			225,986
Graduate Assistance in Areas of National Need	84.200		9,466	
Javits Gifted and Talented Students Education	84.206			
<i>Pass-Through From University of Connecticut</i>	84.206			19,029

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Twenty-First Century Community Learning Centers	84.287		102,084	
<i>Pass-Through From Norfolk Public Schools</i>	84.287			102,084
Education Research, Development and Dissemination	84.305		9,354,481	
<i>Pass-Through From American Institutes for Research</i>	84.305			134,482
<i>Pass-Through From Oregon State University</i>	84.305			10,918
<i>Pass-Through From Stanford University</i>	84.305			56,109
<i>Pass-Through From University of Cambridge</i>	84.305			248,827
Research in Special Education	84.324		694,744	
<i>Pass-Through From University of Florida</i>	84.324			480,802
Special Education-Personnel Development to Improve Services and Results for Children with Disabilities	84.325		126,853	
Special Education-Technology Media and Materials for Individuals with Disabilities	84.327		360,421	
Mathematics and Science Partnerships	84.366		22,628	
Other Assistance:				
<i>Pass-Through From American Institutes for Research</i>	84.000	H133A110004 202619		29,867
Study North African Culture	84.000	P016A120054 202778	31,619	
 Total Non-Stimulus			<u>12,548,071</u>	<u>1,493,672</u>
Stimulus (ARRA):				
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation Fund, Recovery Act	84.396		6,811,039	
<i>Pass-Through From Oregon State University</i>	84.396			542,149
 Total Stimulus (ARRA)			<u>6,811,039</u>	<u>542,149</u>
 Total Research and Development Cluster			<u>19,359,110</u>	<u>2,035,821</u>
 Total U.S. Department of Education			<u>2,703,164,886</u>	<u>2,840,436</u>
<b>SCHOLARSHIP AND FELLOWSHIP FOUNDATIONS</b>				
U.S. Faculty Scholar Grants	85.801		50,958	
Other Assistance:				
Management Training	85.000	14-PO-730-0000292795 209777 209779	2,550	
 Total Excluding Clusters Identified Below			<u>53,508</u>	-
Research and Development Cluster:				
Woodrow Wilson Center Fellowships in the Humanities and Social Sciences	85.300		15,000	
 Total Research and Development Cluster			<u>15,000</u>	-
 Total Scholarship and Fellowship Foundations			<u>68,508</u>	-
<b>U.S. NATIONAL ARCHIVES AND RECORDS ADMINISTRATION</b>				
National Historical Publications and Records Grants	89.003		361,578	
 Total Excluding Clusters Identified Below			<u>361,578</u>	-
Research and Development Cluster:				
National Historical Publications and Records Grants	89.003		1,213,330	
 Total Research and Development Cluster			<u>1,213,330</u>	-
 Total U.S. National Archives and Records Administration			<u>1,574,908</u>	-

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<b>ELECTIONS ASSISTANCE COMMISSION</b>				
Help America Vote Act Requirements Payments	90.401		4,048,185	
Total Elections Assistance Commission			4,048,185	-
<b>U.S. INSTITUTE OF PEACE</b>				
Annual Grant Competition	91.001		1,892	
<i>Pass-Through From Institute of International Education</i>	91.001			700
Public Education for Peacebuilding Awards Program	91.004			
<i>Pass-Through From United States Institute of Peace</i>	91.004			1,769
Total Excluding Clusters Identified Below			1,892	2,469
Research and Development Cluster:				
Annual Grant Competition	91.001		27,095	
Total Research and Development Cluster			27,095	-
Total U.S. Institute of Peace			28,987	2,469
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Non-Stimulus:				
Medical Reserve Corps Small Grant Program	93.008			
<i>Pass-Through From National Association of County &amp; City Health Officials</i>	93.008			218,006
Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		93,721	
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042		326,994	
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043		498,135	
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects - ARRA	93.048		311,837	
National Family Caregiver Support, Title III, Part E	93.052		3,365,841	
Global AIDS	93.067			
<i>Pass-Through From Republic of Rwanda, Minister of Health</i>	93.067			722,761
Public Health Emergency Preparedness	93.069		508,921	
Medicare Enrollment Assistance Program	93.071		212,613	
Lifespan Respite Care Program	93.072		99,279	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		22,460,570	
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077		1,409,408	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		40,768	
Enhance The Safety of Children Affected by Substance Abuse	93.087			
<i>Pass-Through From Rockingham Memorial Hospital</i>	93.087			69,726
Advancing System Improvements to Support Targets for Healthy People 2010	93.088			
<i>Pass-Through From Futures Without Violence</i>	93.088			76,963
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		484,920	
Food and Drug Administration-Research	93.103		1,075,362	
<i>Pass-Through From National Association of County &amp; City Health Officials</i>	93.103			4,793
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		118,324	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107		544,653	
Maternal and Child Health Federal Consolidated Programs	93.110		622,361	
<i>Pass-Through From The Children's Hospital of Philadelphia</i>	93.110			40,796
<i>Pass-Through From Thomas Jefferson University</i>	93.110			4,734

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		1,666,531	
Nurse Anesthetist Traineeships	93.124		53,716	
Emergency Medical Services for Children	93.127		71,165	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		141,525	
Grants to Increase Organ Donations	93.134		305,470	
Injury Prevention and Control Research and State and Community Based Programs	93.136		1,000,498	
Protection and Advocacy for Individuals with Mental Illness	93.138		296,259	
AIDS Education and Training Centers	93.145			
<i>Pass-Through From University of Pittsburgh</i>	93.145			249,570
Projects for Assistance in Transition from Homelessness (PATH)	93.150		1,432,909	
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		365,647	
Grants to States for Loan Repayment Program	93.165		126,772	
Nursing Workforce Diversity	93.178		496,392	
Graduate Psychology Education Program and Patient Navigator and Chronic Disease Prevention Program	93.191		182,160	
Telehealth Programs	93.211		445,607	
Family Planning-Services	93.217		3,484,875	
Traumatic Brain Injury-State Demonstration Grant Program	93.234		209,743	
Affordable Care Act (ACA) Abstinence Education Program	93.235		402,754	
Grants to States to Support Oral Health Workforce Activities	93.236		577,568	
State Capacity Building	93.240		190,385	
State Rural Hospital Flexibility Program	93.241		417,735	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243		5,740,122	
<i>Pass-Through From American Nurses Association</i>	93.243			5,000
<i>Pass-Through From Center for Social Innovation</i>	93.243			29,568
<i>Pass-Through From City of Richmond</i>	93.243			35,001
<i>Pass-Through From National Association of State Mental Health Program Directors</i>	93.243			184,970
<i>Pass-Through From The Daily Planet</i>	93.243			2,799
Advanced Nursing Education Grant Program	93.247		317,825	
Public Health Training Centers Program	93.249			
<i>Pass-Through From Eastern Virginia Medical School</i>	93.249			58,123
Universal Newborn Hearing Screening	93.251		330,653	
Healthy Communities Access Program	93.252		44,982	
Poison Center Support and Enhancement Grant Program	93.253		231,271	
State Health Access Program	93.256		126,296	
Immunization Cooperative Agreements	93.268		65,360,948	
Adult Viral Hepatitis Prevention and Control	93.270		53,073	
Drug-Free Communities Support Program Grants	93.276		66,059	
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283		6,304,250	
<i>Pass-Through From Association of State and Territorial Health Officials</i>	93.283			11,470
<i>Pass-Through From Council of State and Territorial Epidemiologists</i>	93.283			93,766
<i>Pass-Through From National Association of Chronic Disease</i>	93.283			27,000
<i>Pass-Through From National Association of County &amp; City Health Officials</i>	93.283			4,619
State Partnership Grant Program to Improve Minority Health	93.296		133,504	
Small Rural Hospital Improvement Grant Program	93.301		243,521	
Minority Health and Health Disparities Research	93.307		57,407	
State Health Insurance Assistance Program	93.324		29,435	
Advanced Education Nursing Traineeships	93.358		272,218	
Nurse Education, Practice Quality and Retention Grants	93.359		717,839	
<i>Pass-Through From Marquette University</i>	93.359			29,258
Cancer Cause and Prevention Research	93.393			
<i>Pass-Through From University of Kentucky Research Foundation</i>	93.393			2,229
Cancer Centers Support Grants	93.397			
<i>Pass-Through From University of Kentucky Research Foundation</i>	93.397			106,626
Cancer Control	93.399		66,443	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Pregnancy Assistance Fund Program	93.500		502,848	
Family to Family Health Information Centers	93.504		84,666	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		6,656,920	
PPHF National Public Health Improvement Initiative	93.507		509,654	
Affordable Care Act (ACA) State Health Care Workforce Development Grants	93.509		692,430	
Affordable Care Act (ACA) Primary Care Residency Expansion Program	93.510		372,750	
Affordable Care Act (ACA) Nurse-Managed Health Clinics	93.515			
<i>Pass-Through From St. Mary's Health Wagon, Incorporated</i>	93.515			60,934
Affordable Care Act (ACA) Public Health Training Centers Program	93.516			
<i>Pass-Through From Eastern Virginia Medical School</i>	93.516			35,698
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521		804,287	
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525		539,827	
PPHF- Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539		227,372	
The Patient Protection and Affordable Care Act of 2010 (ACA)	93.541		25,893	
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544		172,897	
Promoting Safe and Stable Families	93.556		5,482,227	
<i>Pass-Through From Child Development Resources</i>	93.556			4,894
Child Support Enforcement	93.563		60,978,291	
Refugee and Entrant Assistance-State Administered Programs	93.566		8,580,902	
Low-Income Home Energy Assistance	93.568		79,675,369	
<i>Pass-Through From City of Richmond</i>	93.568			93,088
Community Services Block Grant	93.569		10,083,359	
Refugee and Entrant Assistance-Discretionary Grants	93.576		639,224	
Refugee and Entrant Assistance-Targeted Assistance Grants	93.584		184,616	
State Court Improvement Program	93.586		1,049,449	
Community-Based Child Abuse Prevention Grants	93.590		672,356	
Grants to States for Access and Visitation Programs	93.597		183,331	
Chafee Education and Training Vouchers Program (ETV)	93.599		403,244	
Head Start	93.600		239,503	
<i>Pass-Through From United Negro College Fund</i>	93.600			30,688
Assets for Independence Demonstration Program	93.602			
<i>Pass-Through From Abt Associates Incorporated</i>	93.602			265,071
Adoption Incentive Payments	93.603		80,617	
Health Care Innovation Awards (HCIA)	93.610			
<i>Pass-Through From Carillion Clinic</i>	93.610			219,375
Strong Start for Mothers and Newborns	93.611		239,124	
Voting Access for Individuals with Disabilities-Grants to States	93.617		62,842	
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems	93.618		22,265	
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	93.626		10,886	
Developmental Disabilities Basic Support and Advocacy Grants	93.630		1,958,082	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		676,555	
Children's Justice Grants to States	93.643		404,438	
Stephanie Tubbs Jones Child Welfare Services Program	93.645		4,523,452	
Foster Care-Title IV-E - ARRA	93.658		49,940,930	
Adoption Assistance - ARRA	93.659		41,699,720	
Social Services Block Grant	93.667		54,284,831	
Child Abuse and Neglect State Grants	93.669		639,505	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		2,001,511	
Chafee Foster Care Independence Program	93.674		1,279,972	
Mental and Behavioral Health Education and Training Grants	93.732		163,965	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	93.733		494,203	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - Financed by Prevention and Public Health Funds (PPHF)	93.734		521,616	
State Public Health Approaches for Ensuring Qitline Capacity Funded in Part by Prevention and Public Health Funds (PPHF)	93.735		456,720	
Prevention Public Health Fund: Viral Hepatitis Prevention	93.736		116,567	
PPHF: Breast and Cervical Cancer Screening Opportunities for States, Tribes, and Territories solely financed by Prevention and Public Health Funds	93.744		24,688	
PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		188,815	
Children's Health Insurance Program	93.767		203,165,551	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		1,045,094	
Alternatives to Psychiatric Residential Treatment Facilities for Children	93.789		131,079	
Money Follows the Person Rebalancing Demonstration	93.791		6,271,794	
Biomedical Research and Research Training	93.859		687,003	
Child Health and Human Development Extramural Research	93.865		28,785	
Medical Library Assistance	93.879		223,458	
<i>Pass-Through From Vanderbilt University</i>	93.879			27,458
National Bioterrorism Hospital Preparedness Program	93.889		748,891	
Rural Health Care Services Outreach and Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912		110,630	
<i>Pass-Through From Stone Mountain Health Alliance</i>	93.912			1,716
Grants to States for Operation of Offices of Rural Health	93.913		210,048	
HIV Emergency Relief Project Grants	93.914			
<i>Pass-Through From City of Norfolk</i>	93.914			530,000
<i>Pass-Through From Northern Virginia Regional Council</i>	93.914			922,525
HIV Care Formula Grants	93.917		35,374,815	
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		920,509	
Healthy Start Initiative	93.926		845,615	
Special Projects of National Significance	93.928		1,229,150	
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		30,273	
HIV Prevention Activities-Health Department Based	93.940		7,756,457	
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		2,372,389	
Assistance Programs for Chronic Disease Prevention and Control	93.945		429,514	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		110,878	
Block Grants for Community Mental Health Services	93.958		10,285,589	
Block Grants for Prevention and Treatment of Substance Abuse	93.959		40,543,824	
PPHF - Geriatric Education Centers	93.969		438,195	
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977		2,179,003	
Preventive Health Services-Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	93.978		312,034	
Preventive Health and Health Services Block Grant	93.991		1,221,491	
Maternal and Child Health Services Block Grant to the States	93.994		14,584,123	
Adolescent Family Life-Demonstration Projects	93.995		15,372	
Other Assistance:				
Feed Inspection	93.000	HHSF223201210115C	1,984	
Food Inspection	93.000	HHSF223201210127C	433,006	
Food Inspection	93.000	HHSF223201310075C	23,568	
Mammography	93.000	HHSF223201210123C	134,337	
NIMH Neuropathology	93.000	HHSN271201300584P	167,726	
<i>Pass-Through From Community College of Allegheny County</i>	93.000	G00867872 202931 HHSS2832007000031 202932 203097 203098 203109 203177 203178 203197		1,890
<i>Pass-Through From JBS International, Incorporated</i>	93.000	203227		117,604
<i>Pass-Through From Qatar Foundation International, Limited Liability Company</i>	93.000	G-1309-54476 222397		4,410
<i>Pass-Through From Unified Prevention Coalition of Fairfax</i>	93.000	G00797004 202970		7,500

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Public Health Communications Training	93.000	FY14-PELA 0100 SXY- 209769 209775 209776 209778 209780 209784 209786	34,123	
Vital Statistics Program	93.000	200-2012-50846	409,922	
Total Non-Stimulus			795,166,213	4,300,629
Stimulus (ARRA):				
ARRA - Head Start	93.708		397,147	
Health Information Technology Regional Extension Centers Program - ARRA Pass-Through From VHQC	93.718			23,744
ARRA - State Grants to Promote Health Information Technology	93.719		3,705,368	
ARRA - Health Information Technology Professionals in Health Care	93.721		594,604	
Total Stimulus (ARRA)			4,697,119	23,744
Total Excluding Clusters Identified Below			799,863,332	4,324,373
Aging Cluster:				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044		11,198,880	
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045		10,541,933	
Nutrition Services Incentive Program	93.053		1,920,824	
Total Aging Cluster			23,661,637	-
CCDF Cluster:				
Child Care and Development Block Grant Pass-Through From Child Development Resources Institute	93.575		42,877,495	376,299
Pass-Through From Virginia Early Childhood Foundation	93.575			12,402
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		77,813,704	
Total CCDF Cluster			120,691,199	388,701
Medicaid Cluster:				
State Medicaid Fraud Control Units	93.775		8,457,044	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		7,867,832	
Medical Assistance Program	93.778		4,249,070,596	
Total Medicaid Cluster			4,265,395,472	-
Student Financial Assistance Programs Cluster:				
Nurse Faculty Loan Program (NFLP)	93.264		520,176	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342		10,005,780	
Nursing Student Loans	93.364		2,137,258	
Total Student Financial Assistance Programs Cluster			12,663,214	-
TANF Cluster:				
Temporary Assistance for Needy Families	93.558		110,814,580	
Total TANF Cluster			110,814,580	-
Research and Development Cluster:				
Non-Stimulus:				
HIV Prevention Programs for Women	93.015		42,252	
Alzheimer's Disease Demonstration Grants to States	93.051			

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Alzheimer's Association of Central and Western Virginia</i>	93.051			(28)
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			
<i>Pass-Through From Operation Smile, Incorporated</i>	93.073			40,278
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077			
<i>Pass-Through From University of Maryland</i>	93.077			106,887
Food and Drug Administration-Research	93.103		236,120	
<i>Pass-Through From Georgia Institute of Technology</i>	93.103			163,500
<i>Pass-Through From Lifesource Biomedical, Limited Liability Corporation</i>	93.103			26,812
<i>Pass-Through From University of Kansas Medical Center</i>	93.103			10,859
Maternal and Child Health Federal Consolidated Programs	93.110		545,671	
Environmental Health	93.113		833,453	
<i>Pass-Through From Georgetown University Medical Center</i>	93.113			93,617
<i>Pass-Through From The University of Texas at Arlington</i>	93.113			16,126
<i>Pass-Through From University of New Mexico</i>	93.113			30,768
<i>Pass-Through From Wake Forest University</i>	93.113			30,126
Oral Diseases and Disorders Research	93.121		1,520,246	
<i>Pass-Through From Georgia Institute of Technology</i>	93.121			161,310
<i>Pass-Through From Medical University of South Carolina</i>	93.121			83,586
Emergency Medical Services for Children	93.127			
<i>Pass-Through From Children's Research Institute</i>	93.127			44,919
Injury Prevention and Control Research and State and Community Based Programs	93.136		942,718	
<i>Pass-Through From Johns Hopkins University</i>	93.136			31,070
NIEHS Superfund Hazardous Substances-Basic Research and Education	93.143		223,466	
Human Genome Research	93.172		745,509	
Research Related to Deafness and Communication Disorders	93.173		1,983,852	
<i>Pass-Through From University of Louisville Research Foundation, Incorporated</i>	93.173			87,899
Disabilities Prevention	93.184			
<i>Pass-Through From The Children's Hospital of Philadelphia</i>	93.184			31,346
Research and Training in Complementary and Alternative Medicine	93.213		494,089	
<i>Pass-Through From Massachusetts General Hospital</i>	93.213			9,561
<i>Pass-Through From Wayne State University</i>	93.213			74,941
Research on Healthcare Costs, Quality and Outcomes	93.226		1,287,451	
<i>Pass-Through From RAND Corporation</i>	93.226			42,775
Consolidated Knowledge Development and Application (KD&A) Program	93.230		84	
National Center on Sleep Disorders Research	93.233		329,650	
<i>Pass-Through From Brigham and Women's Hospital, Incorporated</i>	93.233			43,796
Mental Health Research Grants	93.242		8,127,271	
<i>Pass-Through From Boston University</i>	93.242			35,684
<i>Pass-Through From Brown University</i>	93.242			31,829
<i>Pass-Through From Indiana University</i>	93.242			225,778
<i>Pass-Through From Johns Hopkins University</i>	93.242			33,507
<i>Pass-Through From Medical College of Wisconsin</i>	93.242			8,919
<i>Pass-Through From Michigan State University</i>	93.242			6,170
<i>Pass-Through From Research Foundation for Mental Hygiene</i>	93.242			41,097
<i>Pass-Through From Rhode Island Hospital</i>	93.242			39,988
<i>Pass-Through From University of North Carolina at Chapel Hill</i>	93.242			103,327
<i>Pass-Through From University of Pittsburgh</i>	93.242			27,116
<i>Pass-Through From University of Rochester</i>	93.242			15,057
<i>Pass-Through From Yale University</i>	93.242			11,022
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243		77,053	
Occupational Safety and Health Program	93.262		2,686,504	
<i>Pass-Through From Marshfield Clinic Research Foundation</i>	93.262			3,839
<i>Pass-Through From University of Kentucky</i>	93.262			27,063
Comprehensive Geriatric Education Program (CGEP)	93.265		184,218	
Alcohol Research Programs	93.273		7,668,807	

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Marquette University</i>	93.273			12,977
<i>Pass-Through From The Research Foundation of State University of New York</i>	93.273			81,252
<i>Pass-Through From University of Washington</i>	93.273			17,523
Drug Abuse and Addiction Research Programs	93.279		15,978,731	
<i>Pass-Through From American Institutes for Research</i>	93.279			21,432
<i>Pass-Through From Arizona State University</i>	93.279			159,335
<i>Pass-Through From Brigham and Women's Hospital</i>	93.279			20,159
<i>Pass-Through From Duke University</i>	93.279			200,335
<i>Pass-Through From Fordham University</i>	93.279			2,288
<i>Pass-Through From Johns Hopkins University</i>	93.279			212,443
<i>Pass-Through From Lund University</i>	93.279			74,847
<i>Pass-Through From Michigan State University</i>	93.279			6,565
<i>Pass-Through From Northwestern University</i>	93.279			60,500
<i>Pass-Through From Organix Incorporated</i>	93.279			6,851
<i>Pass-Through From Research Triangle Institute</i>	93.279			176,286
<i>Pass-Through From Scripps Research Institute</i>	93.279			338,733
<i>Pass-Through From Seton Hall University</i>	93.279			275,493
<i>Pass-Through From Silverchair Science and Communications, Incorporated</i>	93.279			(1)
<i>Pass-Through From Southern Research Institute</i>	93.279			31,319
<i>Pass-Through From The University of Texas</i>	93.279			417,895
<i>Pass-Through From University of Colorado</i>	93.279			2,496
<i>Pass-Through From University of Kentucky</i>	93.279			219,734
<i>Pass-Through From University of Memphis</i>	93.279			8
<i>Pass-Through From University of North Carolina at Chapel Hill</i>	93.279			49,019
<i>Pass-Through From University of North Texas Health Science</i>	93.279			286,974
<i>Pass-Through From University of Oregon</i>	93.279			62,967
<i>Pass-Through From University of Pittsburgh</i>	93.279			3,423
<i>Pass-Through From University of Washington</i>	93.279			154,492
<i>Pass-Through From Yale University</i>	93.279			420,926
Mental Health Research Career/Scientist Development Awards	93.281		412,269	
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283		86,326	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		1,695,946	
<i>Pass-Through From University of California, Santa Barbara</i>	93.286			68,197
<i>Pass-Through From Wake Forest University Health Sciences</i>	93.286			24,347
Minority Health and Health Disparities Research	93.307		2,116,001	
<i>Pass-Through From City College of New York</i>	93.307			31,730
<i>Pass-Through From University of Michigan</i>	93.307			8,746
Trans-NIH Research Support	93.310		2,505,639	
National Center for Advancing Translational Sciences	93.350		3,750,348	
<i>Pass-Through From Medical Cyberworlds, Incorporated</i>	93.350			39,869
Research Infrastructure Programs	93.351		1,751,990	
Nurse Education, Practice Quality and Retention Grants	93.359		373,496	
Nursing Research	93.361		2,061,044	
<i>Pass-Through From Cincinnati Children's Hospital</i>	93.361			12,034
<i>Pass-Through From Cubist Pharmaceuticals, Incorporated</i>	93.361			6,797
<i>Pass-Through From Medical University of South Carolina</i>	93.361			6,538
<i>Pass-Through From The University of Texas at Austin</i>	93.361			6,540
<i>Pass-Through From Wayne State University</i>	93.361			9,474
National Center for Research Resources	93.389			
<i>Pass-Through From University of Georgia</i>	93.389			92,714
Academic Research Enhancement Award	93.390		6,735	
Cancer Cause and Prevention Research	93.393		8,414,817	
<i>Pass-Through From Duke University</i>	93.393			31,685
<i>Pass-Through From International Tobacco Control Policy Research Program</i>	93.393			11,173
<i>Pass-Through From San Diego State University Research Foundation</i>	93.393			30,767

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From University of Arizona</i>	93.393			73,162
<i>Pass-Through From University of California Los Angeles</i>	93.393			75,304
<i>Pass-Through From University of Miami</i>	93.393			(10,963)
<i>Pass-Through From University of Michigan</i>	93.393			86,119
Cancer Detection and Diagnosis Research	93.394		3,488,495	
<i>Pass-Through From American College of Radiology Imaging Network</i>	93.394			450
<i>Pass-Through From Georgetown University</i>	93.394			55,333
<i>Pass-Through From Johns Hopkins University</i>	93.394			135,394
<i>Pass-Through From Luna Innovations, Incorporated</i>	93.394			51,953
Cancer Treatment Research	93.395		4,741,263	
<i>Pass-Through From American College of Radiology</i>	93.395			58,879
<i>Pass-Through From Boston University</i>	93.395			12,025
<i>Pass-Through From Brigham and Women's Hospital, Incorporated</i>	93.395			27,649
<i>Pass-Through From Childhood Cancer Foundation</i>	93.395			144,994
<i>Pass-Through From Children's Hospital of Philadelphia</i>	93.395			81,405
<i>Pass-Through From Dana-Farber Cancer Institute, Incorporated</i>	93.395			11,076
<i>Pass-Through From H. Lee Moffitt Cancer Center and Research Institute</i>	93.395			41,224
<i>Pass-Through From Health Research Incorporated</i>	93.395			27,450
<i>Pass-Through From ITI Health, Incorporated</i>	93.395			27,766
<i>Pass-Through From John Wayne Cancer Institute</i>	93.395			150
<i>Pass-Through From Leidos Incorporated</i>	93.395			60,661
<i>Pass-Through From Mayo Clinic Rochester</i>	93.395			10,882
<i>Pass-Through From National Childhood Cancer Foundation</i>	93.395			36,584
<i>Pass-Through From National Surgical Adjuvant Breast and Bowel Program</i>	93.395			84
<i>Pass-Through From Parabon NanoLabs, Incorporated</i>	93.395			42,456
<i>Pass-Through From Pennsylvania State University</i>	93.395			86,993
<i>Pass-Through From Progenra, Incorporated</i>	93.395			68,788
<i>Pass-Through From Sanford-Burnham Medical Research Institute</i>	93.395			186,432
<i>Pass-Through From Temple University</i>	93.395			94,480
<i>Pass-Through From The Gynecologic Oncology Group</i>	93.395			32,366
<i>Pass-Through From University of Pittsburgh</i>	93.395			38,427
<i>Pass-Through From Wake Forest University School of Medicine</i>	93.395			30,121
Cancer Biology Research	93.396		7,056,196	
<i>Pass-Through From Cedars-Sinai Medical Center</i>	93.396			4,934
<i>Pass-Through From Duke University</i>	93.396			11,151
<i>Pass-Through From Georgetown University</i>	93.396			32,651
<i>Pass-Through From Vanderbilt University</i>	93.396			74,837
Cancer Centers Support Grants	93.397		1,318,575	
<i>Pass-Through From Georgetown University Medical Center</i>	93.397			263,438
<i>Pass-Through From The University of Texas</i>	93.397			391,177
<i>Pass-Through From University of Rochester</i>	93.397			49,725
Cancer Research Manpower	93.398		911,851	
<i>Pass-Through From National Disease Research Interchange</i>	93.398			595,227
<i>Pass-Through From Temple University</i>	93.398			135,104
Cancer Control	93.399		538,435	
<i>Pass-Through From National Surgical Adjuvant Breast and Bowel Program</i>	93.399			85,462
<i>Pass-Through From University of Michigan</i>	93.399			17,678
Affordable Care Act (ACA) Public Health Training Centers Program	93.516			20,446
<i>Pass-Through From Eastern Virginia Medical School</i>	93.516			20,446
Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Putting Prevention to Work	93.520			
<i>Pass-Through From Cardno Marshall Miller &amp; Associates</i>	93.520			70,089
Health Promotion and Disease Prevention Research Centers; PPHF - Affordable Care Act Projects	93.542			
<i>Pass-Through From University of Washington</i>	93.542			10,787
Head Start	93.600			
<i>Pass-Through From University of Washington</i>	93.600			868,266

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Health Care Innovation Awards (HCIA)	93.610		819,843	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		47,277	
Cardiovascular Diseases Research	93.837		21,004,315	
<i>Pass-Through From American Lung Association</i>	93.837			2,513
<i>Pass-Through From Arizona State University</i>	93.837			(1,163)
<i>Pass-Through From Baylor Research Institute</i>	93.837			117,081
<i>Pass-Through From Brigham and Women's Hospital</i>	93.837			8,250
<i>Pass-Through From Children's Hospital Boston</i>	93.837			59,665
<i>Pass-Through From Duke University</i>	93.837			24,462
<i>Pass-Through From Johns Hopkins University</i>	93.837			556,637
<i>Pass-Through From Joslin Diabetes Center Incorporated</i>	93.837			76,554
<i>Pass-Through From La Jolla Institute for Allergy and Immunology</i>	93.837			972,265
<i>Pass-Through From Mayo Clinic Rochester</i>	93.837			14,016
<i>Pass-Through From Mount Sinai School of Medicine</i>	93.837			59,528
<i>Pass-Through From New York University School of Medicine</i>	93.837			4,251
<i>Pass-Through From Ohio State University Research Foundation</i>	93.837			13,108
<i>Pass-Through From Puget Sound Blood Center Research Institute</i>	93.837			45,290
<i>Pass-Through From Rensselaer Polytechnic Institute</i>	93.837			84,606
<i>Pass-Through From University of California, San Diego</i>	93.837			97,641
<i>Pass-Through From University of Connecticut</i>	93.837			103,074
<i>Pass-Through From University of Louisville</i>	93.837			190,125
<i>Pass-Through From University of Maryland</i>	93.837			218,262
<i>Pass-Through From University of Pennsylvania</i>	93.837			(8,815)
<i>Pass-Through From University of Rochester</i>	93.837			4,444
<i>Pass-Through From Veterans Medical Research Foundation</i>	93.837			4,774
<i>Pass-Through From Wake Forest University</i>	93.837			493,637
<i>Pass-Through From Yale University</i>	93.837			70
Lung Diseases Research	93.838		4,253,755	
<i>Pass-Through From American Lung Association</i>	93.838			1,864
<i>Pass-Through From Case Western Reserve University</i>	93.838			703,003
<i>Pass-Through From Columbia University</i>	93.838			61,267
<i>Pass-Through From Covenant Therapeutics, Limited Liability Corporation</i>	93.838			24,232
<i>Pass-Through From Duke University</i>	93.838			53,665
<i>Pass-Through From Fred Hutchinson Cancer Research Center</i>	93.838			3,033
<i>Pass-Through From Pennsylvania State University</i>	93.838			45,771
<i>Pass-Through From University of Washington</i>	93.838			29,651
<i>Pass-Through From Xemed Limited Liability Corporation</i>	93.838			259,539
Blood Diseases and Resources Research	93.839		4,170,713	
<i>Pass-Through From Childhood Cancer Foundation</i>	93.839			16,688
<i>Pass-Through From HemoSonics, Limited Liability Corporation</i>	93.839			19,056
<i>Pass-Through From National Marrow Donor Program</i>	93.839			7,465
<i>Pass-Through From Ohio State University Research Foundation</i>	93.839			9,196
<i>Pass-Through From University of North Carolina-Chapel Hill</i>	93.839			1,571
<i>Pass-Through From Washington University in St. Louis</i>	93.839			2,636
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		4,394,300	
<i>Pass-Through From Cell and Tissue Systems, Incorporated</i>	93.846			10,578
<i>Pass-Through From Georgia Institute of Technology</i>	93.846			14,460
<i>Pass-Through From Indiana University-Purdue University Indianapolis</i>	93.846			31,597
<i>Pass-Through From Memorial Hospital of Rhode Island</i>	93.846			5,250
<i>Pass-Through From Miami University</i>	93.846			8,834
<i>Pass-Through From Ohio State University</i>	93.846			19,134
<i>Pass-Through From University of Iowa</i>	93.846			1,918
<i>Pass-Through From University of Pittsburgh</i>	93.846			15,890
<i>Pass-Through From Washington University in St. Louis</i>	93.846			22,379
Diabetes, Digestive and Kidney Disease Extramural Research	93.847		22,549,128	

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From Arkansas Children's Hospital Research Institute</i>	93.847			5,226
<i>Pass-Through From Baylor College of Medicine</i>	93.847			111,638
<i>Pass-Through From Children's Hospital of Philadelphia</i>	93.847			10,319
<i>Pass-Through From Children's Research Institute</i>	93.847			34,884
<i>Pass-Through From Georgia Health Sciences University</i>	93.847			42,855
<i>Pass-Through From Joslin Diabetes Center Incorporated</i>	93.847			18,571
<i>Pass-Through From Joslin Diabetes Clinic/Harvard Medical School</i>	93.847			5,757
<i>Pass-Through From Massachusetts General Hospital</i>	93.847			4,499
<i>Pass-Through From Mayo Clinic Rochester</i>	93.847			11,275
<i>Pass-Through From Northwestern University</i>	93.847			29,607
<i>Pass-Through From Pennington Biomedical Research Center</i>	93.847			19,452
<i>Pass-Through From Pennsylvania State University</i>	93.847			558
<i>Pass-Through From Temple University</i>	93.847			30,136
<i>Pass-Through From The Emmes Corporation</i>	93.847			1,100
<i>Pass-Through From University of California, Santa Barbara</i>	93.847			383,688
<i>Pass-Through From University of Maryland, Baltimore</i>	93.847			245,992
<i>Pass-Through From University of Pittsburgh</i>	93.847			6,389
<i>Pass-Through From University of South Florida</i>	93.847			31,993
<i>Pass-Through From University of Tennessee</i>	93.847			18,371
<i>Pass-Through From University of Texas Southwestern Medical Center at Dallas</i>	93.847			54,057
<i>Pass-Through From University of Toledo</i>	93.847			1,610
<i>Pass-Through From Wake Forest University</i>	93.847			41,012
Digestive Diseases and Nutrition Research	93.848		1,355,195	
<i>Pass-Through From Johns Hopkins University</i>	93.848			12,500
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		15,414,866	
<i>Pass-Through From Beth Israel Deaconess Medical Center</i>	93.853			3,698
<i>Pass-Through From Chicago Association for Research and Education in Science</i>	93.853			33,182
<i>Pass-Through From Children's National Medical Center</i>	93.853			119,934
<i>Pass-Through From Columbia University</i>	93.853			178,770
<i>Pass-Through From Edward Via College of Osteopathic Medicine</i>	93.853			53,490
<i>Pass-Through From Emory University</i>	93.853			84,095
<i>Pass-Through From Johns Hopkins University</i>	93.853			24,050
<i>Pass-Through From Massachusetts General Hospital</i>	93.853			7,833
<i>Pass-Through From Mayo Clinic</i>	93.853			139,957
<i>Pass-Through From Mayo Clinic Jacksonville</i>	93.853			4,376
<i>Pass-Through From Montefiore Medical Center</i>	93.853			439
<i>Pass-Through From Mount Sinai School of Medicine</i>	93.853			81,142
<i>Pass-Through From Orlando Regional Medical Center</i>	93.853			14,715
<i>Pass-Through From University of California at San Francisco</i>	93.853			255,414
<i>Pass-Through From University of Cincinnati</i>	93.853			102,059
<i>Pass-Through From University of Maryland</i>	93.853			84,759
<i>Pass-Through From University of Medicine and Dentistry of New Jersey</i>	93.853			5,489
<i>Pass-Through From University of Michigan</i>	93.853			314,759
<i>Pass-Through From University of North Carolina, Chapel Hill</i>	93.853			17,753
<i>Pass-Through From University of Pittsburgh</i>	93.853			35,613
<i>Pass-Through From Wake Forest University School of Medicine</i>	93.853			72,185
<i>Pass-Through From Yale University</i>	93.853			5,868
<i>Pass-Through From Yeshiva University</i>	93.853			311,084
Allergy, Immunology and Transplantation Research	93.855		24,664,972	
<i>Pass-Through From Alexander BioDiscoveries, Limited Liability Corporation</i>	93.855			244,407
<i>Pass-Through From Brigham and Women's Hospital, Incorporated</i>	93.855			23,825
<i>Pass-Through From Cincinnati Children's Hospital</i>	93.855			224,071
<i>Pass-Through From Duke University</i>	93.855			335,695
<i>Pass-Through From Emory University</i>	93.855			33,554
<i>Pass-Through From George Washington University</i>	93.855			356,860

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From IASIS Molecular Sciences, Limited Liability Company</i>	93.855			59,124
<i>Pass-Through From Indiana University</i>	93.855			83,711
<i>Pass-Through From Institute of Clinical Research</i>	93.855			36,259
<i>Pass-Through From Johns Hopkins University</i>	93.855			125,757
<i>Pass-Through From Mayo Clinic</i>	93.855			95,228
<i>Pass-Through From National Jewish Health</i>	93.855			77,145
<i>Pass-Through From Oregon Health &amp; Science University</i>	93.855			56,308
<i>Pass-Through From Purdue University</i>	93.855			21,356
<i>Pass-Through From Sequella, Incorporated</i>	93.855			154,925
<i>Pass-Through From Techlab Research</i>	93.855			201,343
<i>Pass-Through From University of Alabama</i>	93.855			50,940
<i>Pass-Through From University of Bahia, Brazil</i>	93.855			7,831
<i>Pass-Through From University of Colorado</i>	93.855			204,307
<i>Pass-Through From University of Maryland</i>	93.855			1,230,174
<i>Pass-Through From University of Missouri</i>	93.855			35,877
<i>Pass-Through From University of North Carolina at Chapel Hill</i>	93.855			188,710
<i>Pass-Through From University of Pennsylvania</i>	93.855			(8,470)
<i>Pass-Through From University of Pittsburgh</i>	93.855			286,789
<i>Pass-Through From University of South Carolina</i>	93.855			25,862
<i>Pass-Through From University of Washington</i>	93.855			199,365
<i>Pass-Through From University of Wisconsin</i>	93.855			36,668
Microbiology and Infectious Diseases Research	93.856		653,807	
<i>Pass-Through From University of Maryland</i>	93.856			1,748
<i>Pass-Through From Vaccine Research Institute of San Diego</i>	93.856			22,496
Biomedical Research and Research Training	93.859		22,244,193	
<i>Pass-Through From Albert Einstein College of Medicine</i>	93.859			337,520
<i>Pass-Through From Georgetown University</i>	93.859			64,170
<i>Pass-Through From Hauptman-Woodward Medical Research Institute, Incorporated</i>	93.859			264,550
<i>Pass-Through From Luna Innovations, Incorporated</i>	93.859			98,552
<i>Pass-Through From Lynntech, Incorporated</i>	93.859			167,662
<i>Pass-Through From Medical University of South Carolina</i>	93.859			26,494
<i>Pass-Through From Montclair State University</i>	93.859			9,431
<i>Pass-Through From Novion Technologies</i>	93.859			30,050
<i>Pass-Through From Research Triangle Institute</i>	93.859			18,856
<i>Pass-Through From Rutgers, The State University of New Jersey</i>	93.859			84,538
<i>Pass-Through From Sanford-Burnham Medical Research Institute</i>	93.859			185,320
<i>Pass-Through From SphynKx Therapeutics, Limited Liability Corporation</i>	93.859			14,501
<i>Pass-Through From Texas A and M University</i>	93.859			30,877
<i>Pass-Through From The Trustees of Columbia University in the City of New York</i>	93.859			33,190
<i>Pass-Through From The University of Kentucky Research Foundation</i>	93.859			1,542
<i>Pass-Through From University of Alabama</i>	93.859			8,496
<i>Pass-Through From University of Chicago</i>	93.859			398,884
<i>Pass-Through From University of Illinois</i>	93.859			184,834
<i>Pass-Through From University of Iowa</i>	93.859			22,651
<i>Pass-Through From University of Kentucky</i>	93.859			2,010
<i>Pass-Through From University of Newcastle upon Tyne</i>	93.859			15,520
<i>Pass-Through From University of North Carolina at Chapel Hill</i>	93.859			49,639
<i>Pass-Through From University of Philadelphia</i>	93.859			24,604
<i>Pass-Through From University of Pittsburgh</i>	93.859			771
<i>Pass-Through From University of Richmond</i>	93.859			38,430
<i>Pass-Through From University of Texas Southwestern Medical Center at Dallas</i>	93.859			102,301
<i>Pass-Through From University of Utah</i>	93.859			318,599
<i>Pass-Through From University of Wisconsin Madison</i>	93.859			728
<i>Pass-Through From Utah State University</i>	93.859			166,247

COMMONWEALTH OF VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Child Health and Human Development Extramural Research	93.865		9,220,984	
<i>Pass-Through From Barron Associates, Incorporated</i>	93.865			13,200
<i>Pass-Through From Boston University</i>	93.865			149,461
<i>Pass-Through From Cedars-Sinai Medical Center</i>	93.865			28,332
<i>Pass-Through From Cincinnati Children's Hospital Medical Center</i>	93.865			29,456
<i>Pass-Through From Indiana University</i>	93.865			2,972
<i>Pass-Through From Johns Hopkins University</i>	93.865			160,357
<i>Pass-Through From Northeastern University</i>	93.865			12,356
<i>Pass-Through From RAND Corporation</i>	93.865			20,305
<i>Pass-Through From Seattle Children's Research Institute</i>	93.865			28,526
<i>Pass-Through From Temple University</i>	93.865			176,000
<i>Pass-Through From The Salk Institute for Biological Studies</i>	93.865			21,293
<i>Pass-Through From University of California, Los Angeles</i>	93.865			105,042
<i>Pass-Through From University of Colorado</i>	93.865			53,870
<i>Pass-Through From University of Florida</i>	93.865			27,767
<i>Pass-Through From University of Minnesota</i>	93.865			74,964
<i>Pass-Through From Yale University</i>	93.865			144,706
Aging Research	93.866		3,824,086	
<i>Pass-Through From Barron Associates, Incorporated</i>	93.866			54,523
<i>Pass-Through From Boston College</i>	93.866			493
<i>Pass-Through From Boston University</i>	93.866			43,820
<i>Pass-Through From Columbia University</i>	93.866			39,112
<i>Pass-Through From Cumberland Pharmaceuticals Incorporated</i>	93.866			87,027
<i>Pass-Through From Paragon Computation, Incorporated</i>	93.866			32,032
<i>Pass-Through From Rush University Medical Center</i>	93.866			8,736
<i>Pass-Through From University of California, San Diego</i>	93.866			69,708
<i>Pass-Through From University of Chicago</i>	93.866			59,634
<i>Pass-Through From University of Maryland</i>	93.866			69,396
<i>Pass-Through From University of Pittsburgh</i>	93.866			27,603
<i>Pass-Through From University of South Carolina</i>	93.866			20,592
<i>Pass-Through From University of Washington</i>	93.866			44,496
<i>Pass-Through From Wake Forest University</i>	93.866			193,608
Vision Research	93.867		2,389,967	
<i>Pass-Through From Barron Associates, Incorporated</i>	93.867			33,988
<i>Pass-Through From St. Luke's-Roosevelt Institute for Health Sciences</i>	93.867			1,411
<i>Pass-Through From University of Louisville</i>	93.867			34,119
<i>Pass-Through From University of Maryland</i>	93.867			36,689
<i>Pass-Through From University of Oklahoma Health Sciences Center</i>	93.867			28,182
Medical Library Assistance	93.879		20,111	
Rural Health Care Services Outreach and Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912		23,874	
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		133,556	
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		325	
International Research and Research Training	93.989		907,687	
Other Assistance:				
Assessment Battery	93.000	1R21HD068744-01A1 202588 202787 203236		199,613
Intergovernmental Personnel Act Agreement Evans Cuellar	93.000	202876		22,537
Intergovernmental Personnel Act Agreement Keyser	93.000	202841		4,995
Intergovernmental Personnel Act Agreement Keyser	93.000	203107		31,900
Intergovernmental Personnel Act Agreement Lisa Chinn	93.000	202939		71,546
Other Assistance	93.000	13-M65		(199,312)
Other Assistance	93.000	200-2010-36140		472,862
Other Assistance	93.000	200-2011-40313		439,687
Other Assistance	93.000	HHSN272200900040C		4,976,339
Other Assistance	93.000	HHSN272201000056C		1,877,423

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Other Assistance	93.000	HHSN275201100015C	127,267	
Other Assistance	93.000	NIH-NIAID - HHSN272201000056C	190,357	
Other Assistance	93.000	ORNO: HHSF223201210272M	441	
<i>Pass-Through From Georgetown University Medical Center</i>	93.000	RX 4429-751-VATECH		28,133
<i>Pass-Through From Health Research and Educational Trust</i>	93.000	HHSA2902010000251 203147		11,430
<i>Pass-Through From Medstar Institute for Innovation</i>	93.000	#3759		26,803
<i>Pass-Through From The EMMES Corporation</i>	93.000	AGREEMENT 3610		23,304
<i>Pass-Through From University of Maryland</i>	93.000	5U54A1057168-10 202914		22,152
<i>Pass-Through From University of Minnesota Twin Cities</i>	93.000	LOG-P003398401		466,677
Zhao Science Fellowship	93.000	202950	98,906	
<b>Total Non-Stimulus</b>			<b>231,544,086</b>	<b>26,862,254</b>
<b>Stimulus (ARRA):</b>				
Trans-NIH Recovery Act Research Support - ARRA	93.701		523,471	
<i>Pass-Through From American College of Radiology</i>	93.701			16,620
<i>Pass-Through From The Emmes Corporation</i>	93.701			24,344
National Center for Research Resources, Recovery Act Construction Support - ARRA	93.702		313,321	
Recovery Act - Comparative Effectiveness Research-AHRQ - ARRA	93.715		206,219	
<i>Pass-Through From Kaiser Foundation Research Institute</i>	93.715			37,766
<b>Total Stimulus (ARRA)</b>			<b>1,043,011</b>	<b>78,730</b>
<b>Total Research and Development Cluster</b>			<b>232,587,097</b>	<b>26,940,984</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>5,565,676,531</b>	<b>31,654,058</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
State Commissions	94.003		276,937	
AmeriCorps - ARRA	94.006		2,971,385	
Program Development and Innovation Grants	94.007		127,885	
Volunteers in Service to America	94.013		5,847	
<b>Total Excluding Clusters Identified Below</b>			<b>3,382,054</b>	<b>-</b>
<b>Research and Development Cluster:</b>				
Social Innovation Fund	94.019			
<i>Pass-Through From WINGS for kids, Incorporated</i>	94.019			55,729
<b>Total Research and Development Cluster</b>			<b>-</b>	<b>55,729</b>
<b>Total Corporation for National and Community Service</b>			<b>3,382,054</b>	<b>55,729</b>
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>				
High Intensity Drug Trafficking Areas Program	95.001			
<i>Pass-Through From University of Maryland</i>	95.001			269,428
<b>Total Executive Office of the President</b>			<b>-</b>	<b>269,428</b>

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<b>SOCIAL SECURITY COMMISSION</b>				
Social Security-Research and Demonstration	96.007			
<i>Pass-Through From Mathematica Policy Research</i>	96.007			121,085
Social Security-Work Incentives Planning and Assistance Program	96.008		31,253	
Total Excluding Clusters Identified Below			31,253	121,085
Disability Insurance/SSI Cluster:				
Social Security-Disability Insurance	96.001		41,150,827	
Total Disability Insurance/SSI Cluster			41,150,827	-
Research and Development Cluster:				
Social Security-Research and Demonstration	96.007			
<i>Pass-Through From Boston College</i>	96.007			24,063
Total Research and Development Cluster			-	24,063
Total Social Security Commission			41,182,080	145,148
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Non-Profit Security Program	97.008		5,645,259	
<i>Pass-Through From Office of the Deputy Mayor for Public Safety and Justice</i>	97.008			5,020,114
Boating Safety Financial Assistance	97.012		1,800,189	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		298,007	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		22,573,218	
Hazard Mitigation Grant	97.039		2,134,298	
National Dam Safety Program	97.041		355,322	
Emergency Management Performance Grants	97.042		6,609,652	
State Fire Training Systems Grants	97.043		31,770	
Cooperating Technical Partners	97.045		132,622	
Pre-Disaster Mitigation	97.047		24,360	
Emergency Operations Center	97.052		1,021,547	
Citizens - Community Resilience Innovation Challenge	97.053		267,208	
Interoperable Emergency Communications	97.055		201,456	
Port Security Grant Program	97.056		2,571,586	
Scientific Leadership Awards	97.062		27,060	
Homeland Security Grant Program	97.067		2,155,253	
<i>Pass-Through From District of Columbia</i>	97.067			382,678
Metropolitan Medical Response System	97.071		1,025,106	
<i>Pass-Through From Metropolitan Medical Response System</i>	97.071			58,937
State Homeland Security Program (SHSP)	97.073		7,195,681	
Driver's License Security Grant Program	97.089		44,441	
Repetitive Flood Claims	97.092		282,215	
Training Resource and Data Exchange	97.097		8,399	
Homeland Security-related Science, Technology, Engineering and Mathematics (HS STEM) Career Development Program	97.104			
<i>Pass-Through From Texas A&amp;M University</i>	97.104			37,575
National Incident Management System (NIMS)	97.107			
<i>Pass-Through From The Council of State Governments</i>	97.107			45,059
Severe Loss Repetitive Program	97.110		242,226	
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111		2,034,037	
<i>Pass-Through From Office of the Deputy Mayor for Public Safety and Justice</i>	97.111			550,360
Interoperable Communications and Training Project	97.124		250,944	

**COMMONWEALTH OF VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
Other Assistance:				
Other Assistance	97.000	IPA SIGNED 12/13/10 & 6/4/12	271,838	
Other Assistance	97.000		33,904	
Telework Center	97.000	HSTS01-09-C-HRM243 201876	28,946	
Total Excluding Clusters Identified Below			57,266,544	6,094,723
Research and Development Cluster:				
Pilot Demonstration or Earmarked Projects	97.001			
<i>Pass-Through From Dartmouth College</i>	97.001			1,879
Hazard Mitigation Grant	97.039		84,157	
<i>Pass-Through From Texas Engineering Experiment Station</i>	97.039			7,974
Centers for Homeland Security	97.061			
<i>Pass-Through From Ceres Nanosciences, Incorporated</i>	97.061			57,225
<i>Pass-Through From Electric Power Research Institute</i>	97.061			61,037
<i>Pass-Through From Texas AgriLife Research</i>	97.061			26,540
<i>Pass-Through From University of Maryland</i>	97.061			159,140
Homeland Security Advanced Research Projects Agency	97.065			
<i>Pass-Through From Dartmouth College</i>	97.065			549,960
Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies	97.108		108,614	
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111			
<i>Pass-Through From Innovative Emergency Management, Incorporated</i>	97.111			6,930
Other Assistance:				
Higher Education Initiative	97.000	HSQDC-12-C-00109 202825 202847 203100	215,617	
<i>Pass-Through From Dartmouth College</i>	97.000	2006-CS-001-000001-02 202602		54,730
<i>Pass-Through From International Association of Fire Chiefs</i>	97.000	292300 02622		1,737
<i>Pass-Through From Schafer Corporation</i>	97.000	HSQDC-11 202877 203042		17,328
<i>Pass-Through From Trustees of Purdue University</i>	97.000	2009-ST-061-CI0001 203067		121,108
<i>Pass-Through From Virginia Fire Chiefs Association</i>	97.000	EMW-2011-FF-00253 202915		59,328
Total Research and Development Cluster			408,388	1,124,916
Total U.S. Department of Homeland Security			57,674,932	7,219,639
<b>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</b>				
USAID Development Partnerships for University Cooperation and Development				
<i>Pass-Through From Indiana University</i>	98.012			26,687
<i>Pass-Through From Michigan State University</i>	98.012			86,487
Total Excluding Clusters Identified Below			-	113,174
Research and Development Cluster:				
USAID Foreign Assistance for Programs Overseas	98.001		11,744,288	
<i>Pass-Through From Michigan State University</i>	98.001			27,825
<i>Pass-Through From Ohio State University</i>	98.001			308,989
<i>Pass-Through From Oregon State University</i>	98.001			11,073
<i>Pass-Through From Winrock International</i>	98.001			143,648
USAID Development Partnerships for University Cooperation and Development	98.012		41,689	
<i>Pass-Through From American Council on Education</i>	98.012			1,126,483
<i>Pass-Through From Michigan State University</i>	98.012			4,463
Other Assistance:				
Other Assistance	98.000	685-A-00-10-00194-00	4,747,595	
Other Assistance	98.000	AID-OAA-LA-10-00008	333,730	
Other Assistance	98.000	EDH-A-00-08-00015-00	48,645	
<i>Pass-Through From International Food Policy and Research</i>	98.000	6249-001-49-05 202753		13,909

COMMONWEALTH OF VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Department/Program/Federal Pass-Through Entity	CFDA#	Other Identifying Numbers	Direct Cost	Indirect Cost
<i>Pass-Through From International Food Policy Research Institute</i>	98.000	2011X383.VPI		170,530
<i>Pass-Through From Purdue University</i>	98.000	41060000-8000021024		113,947
Total Research and Development Cluster			16,915,947	1,920,867
Total U.S. Agency for International Development			16,915,947	2,034,041
<b>OTHER FEDERAL ASSISTANCE</b>				
Other Assistance:				
<i>Pass-Through From University of North Carolina, Chapel Hill</i>	99.000	555076		30,633
Total Excluding Clusters Identified Below			-	30,633
Research and Development Cluster:				
Intergovernmental Personnel Act Agreement Ramirez	99.000	202806 202955 203234	48,003	
United States Postal Service Intergovernmental Personnel Act Agreement Finkelstein	99.000	202727	104,027	
Total Research and Development Cluster			152,030	-
Total Other Federal Assistance			152,030	30,633
Total Federal Grantor Agencies			13,170,529,691	103,051,744

The accompanying notes to the Schedule of Federal Expenditures of Federal Awards are an integral part of this schedule.

**COMMONWEALTH OF VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**1. PURPOSE OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires a schedule of expenditures of federal awards showing total federal expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA). The accompanying schedule includes all expenditures of federal awards of the Commonwealth of Virginia's departments, institutions, authorities, and component units except for the entities that were not audited by the Auditor of Public Accounts. Other auditors issued reports for the following organizations within the Commonwealth: Virginia Commonwealth University Health System Authority, Virginia Port Authority and Virginia International Terminals, Institute for Advanced Learning and Research, Virginia Housing Development Authority, Virginia Outdoors Foundation, Virginia Resources Authority, Fort Monroe Authority, Science Museum of Virginia Foundation, Library of Virginia Foundation, Virginia State Crime Commission, and the Commission on Virginia Alcohol Safety Action Program.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The information in the accompanying "Schedule of Expenditures of Federal Awards" is presented in accordance with OMB Circular A-133. The schedule presents a summary of direct and indirect federal financial assistance by federal department and CFDA Number.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance. Nonmonetary federal assistance including food stamps, food commodities, and surplus property, is considered federal assistance and, therefore, is reported on the "Schedule of Expenditures of Federal Awards." Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts in a vendor relationship between the Commonwealth of Virginia and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Direct Federal Assistance – Assistance received directly from the Federal government or received in a pass-through relationship from other State

entities is classified as direct expenditures on the “Schedule of Expenditures of Federal Awards.”

Indirect Federal Assistance – Assistance received in a pass-through relationship from entities other than the Federal government or other State entities is classified as indirect expenditures on the “Schedule of Expenditures of Federal Awards.”

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the Commonwealth of Virginia were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number) and program name. The accompanying schedule and footnotes reflect the program names and CFDA numbers assigned by the [www.cfda.gov](http://www.cfda.gov) website.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the Commonwealth:

Aging	Highway Safety
CDBG-Entitlement Grants	JAG
CDBG-State Administered CDBG	Medicaid
CCDF (Child Care)	Research and Development
Child Nutrition	School Improvement Grants
Clean Water State Revolving Fund	SNAP
Disability Insurance/SSI	Special Education (IDEA)
Drinking Water State Revolving	Statewide Data Systems
Economic Development	Student Financial Assistance Programs
Employment Service	TANF
Federal Transit	Teacher Incentive Fund
Fish and Wildlife	Teacher Quality Partnership Grants
Food Distribution	Transit Services Programs
Forest Service Schools and Roads	TRIO
Highway Planning and Construction	Workforce Investment Act (WIA)

Student Financial Assistance and Research and Development clusters expend funds from several federal departments. The amounts expended for these clusters are reported under the appropriate federal department in the accompanying schedule and are also summarized as follows.

The total amount expended for Student Financial Assistance was \$1,858,784,575 consisting of the following federal departments:

<u>Federal Department</u>	<u>Amount Expended</u>
Department of Education (Non-Stimulus)	\$1,846,121,361
Department of Health and Human Services (Non-Stimulus)	<u>12,663,214</u>
Total	<u>\$1,858,784,575</u>

The total direct amount expended for Research and Development was \$527,970,811 consisting of the following federal departments:

<u>Federal Department</u>	<u>Detail</u>	<u>Amount Expended</u>
Department of Health and Human Services - Stimulus ARRA Portion	\$ 1,043,011	
Department of Health and Human Services - Non-Stimulus ARRA Portion	231,544,086	
Department of Health and Human Services Total		\$ 232,587,097
National Science Foundation - Stimulus ARRA Portion	5,249,905	
National Science Foundation - Non-Stimulus ARRA Portion	78,993,774	
National Science Foundation Total		84,243,679
Department of Defense		74,615,263
Department of Energy - Stimulus ARRA Portion	3,532,062	
Department of Energy - Non-Stimulus ARRA Portion	20,918,674	
Department of Energy Total		24,450,736
Department of Education - Stimulus ARRA Portion	6,811,039	
Department of Education - Non-Stimulus ARRA Portion	12,548,071	
Department of Education Total		19,359,110
Department of Agriculture		21,121,715
Department of Transportation		17,521,355
Agency for International Development		16,915,947
Department of the Interior		12,769,054
National Aeronautics and Space Administration		8,357,659
Department of Commerce - Stimulus ARRA Portion	59,533	
Department of Commerce - Non-Stimulus ARRA Portion	6,546,680	
Department of Commerce Total		6,606,213
Environmental Protection Agency		4,007,036
Department of Justice		1,385,629
National Archives and Records Administration		1,213,330
National Foundation on the Arts and the Humanities		1,022,875
Department of State		578,748
Department of Homeland Security		408,388
Department of Labor		248,139
Department of Veterans Affairs		200,161
Other Federal Assistance		152,030
Nuclear Regulatory Commission		85,828
Department of Housing and Urban Development		42,964
U.S. Institute of Peace		27,095
Library of Congress		25,262
Scholarship and Fellowship Foundations		15,000
Small Business Administration		10,498
		<u>\$ 527,970,811</u>

**B. Basis of Accounting**

Federal program expenditures included in the accompanying schedule are presented using the cash basis of accounting. Under the cash basis of accounting, expenditures are recognized when paid rather than when the obligation is incurred. Federal non-cash assistance and loan/loan guarantee program activities are presented as described in Notes 2-C and 2-D below.

**C. Non-Cash Assistance**

The Commonwealth of Virginia participated in several federal programs in which non-cash benefits are provided through the state to eligible program participants. These include:

Food Distribution Programs (CFDA Numbers 10.550, 10.555, 10.558, 10.559, 10.569) The value of food commodities was calculated using the U.S. Department of Agriculture’s Food and Nutrition Service commodity price lists. The accompanying schedule includes commodity distributions of:

<u>CFDA #</u>	<u>Non-Stimulus</u>
10.555	\$ 29,043,924
10.558	\$ 1,968
10.559	\$ 135,499
10.569	\$ 7,991,668

The accompanying schedule does not include Commonwealth-stored undistributed food commodities of:

<u>CFDA #</u>	<u>Non-Stimulus</u>
10.550	\$ 1,723
10.555	\$ 30,099
10.569	\$ 11,841

Donation of Federal Surplus Personal Property (CFDA Number 39.003) – Donated federal surplus property is valued at 23.3 percent of the original acquisition cost as assigned by the federal government. The amount included in the accompanying schedule reflects distribution to other governmental entities during the year ended June 30, 2014. Administrative expenditures of \$446,562 are not included in the accompanying schedule. The value of surplus property on hand at June 30, 2014, totaled \$1,687,897. These amounts represent Non-Stimulus dollars.

Childhood Immunization Grants (CFDA Number 93.268) – The U.S. Department of Health and Human Services purchases and distributes immunizations through McKesson, the federal national distribution vendor, directly to our local health departments. The amount presented in the accompanying schedule reflects the cost of immunizations to the federal government of

\$60,010,417 (Non-stimulus). The remaining amount of \$5,260,981 (Non-stimulus) is administrative expenditures. The value of inventory on hand at June 30, 2014, is \$3,109,330.

#### **D. Loan/Loan Guarantee Programs**

Federal Perkins Loans - Federal Capital Contributions (CFDA Number 84.038) – The amount in the accompanying schedule includes administrative costs during the fiscal year as well as the outstanding balance of loans receivable at June 30, 2014.

Federal Direct Loan Program (CFDA Number 84.268) – The amount in the accompanying schedule reflects the value of new Federal Direct Loans disbursed to students during the fiscal year.

Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (CFDA Number 93.342) – The amount in the accompanying schedule includes administrative costs during the fiscal year as well as the outstanding balance of loans receivable at June 30, 2014.

Nurse Faculty Loan Program (CFDA Number 93.264) – The amount in the accompanying schedule includes administrative costs during the fiscal year as well as the outstanding balance of loans receivable at June 30, 2014.

Nursing Student Loans (CFDA Number 93.364) – The amount in the accompanying schedule includes administrative costs during the fiscal year as well as the outstanding balance of loans receivable at June 30, 2014.

Capitalization Grants for Clean Water State Revolving Funds (CFDA Number 66.458) and Capitalization Grants for Drinking Water State Revolving Funds (CFDA Number 66.468) – The Commonwealth receives capitalization grants to create and maintain the Clean Water State Revolving Fund (CWSRF) program (CFDA Number 66.458) and the Drinking Water State Revolving Fund (DWSRF) program, (CFDA Number 66.468). Both programs offer long-term, low interest rate loans to enable the loan recipients to construct or maintain infrastructures necessary to comply with the Clean Water Act and Safe Drinking Water Act requirements. Capitalization grants received for the CWSRF for the year ended June 30, 2014, were \$26,780,301 in Non-Stimulus dollars and are included on the schedule. Capitalization grants received for the DWSRF for the fiscal year ended June 30, 2014, were \$19,002,820 in Non-Stimulus dollars and are also included on the schedule. In addition, the Commonwealth distributed additional second generation CWSRF and DWSRF loan disbursements totaling \$52,665,022 for the fiscal year ended June 30, 2014, which are not included on the schedule. These amounts represent Non-Stimulus dollars.

Economic Adjustment Assistance (CFDA Number 11.307) – The amount in the accompanying schedule reflects the cash on hand and the outstanding balance of loans receivable from subrecipients at June 30, 2014.

**E. Emergency Unemployment Benefits**

The amount included in the accompanying schedule for Unemployment Insurance (CFDA Number 17.225) includes \$57,304,788 Non-Stimulus and \$6,806,364 Stimulus (ARRA) administrative costs, \$26,797,323 Non-Stimulus federal unemployment benefits paid to federal employees, \$66,419,050 Non-Stimulus and \$38,054 Stimulus (ARRA) Temporary Extended Unemployment Compensation paid to all benefit recipients, and \$543,516,313 Non-Stimulus state unemployment benefits paid to non-federal employees.

**F. Program Expenditures**

Certain transactions relating to federal financial assistance may appear in the records of more than one state recipient agency. To avoid duplication and the overstatement of the aggregate level of federal financial assistance expended by the Commonwealth of Virginia, the following policies have been adopted:

1. When federal financial assistance is received by one state recipient agency and redistributed to another state agency (i.e., a pass-through of funds by the primary recipient state agency to a subrecipient state agency), the federal financial assistance will be reflected as expenditures by the subrecipient state agency.
2. When federal financial assistance is received by one state agency to purchase goods or services from another state agency, the federal financial assistance will be reflected as expenditures by the recipient (purchaser) agency.

**3. OTHER ASSISTANCE PROGRAMS**

Federal financial assistance programs that have not been assigned a CFDA Number have been included in the accompanying “Schedule of Expenditures of Federal Awards.” Programs for which the grantor agency is known are reported as other assistance and are identified as CFDA Number XX.000, where XX represents the federal grantor agency.

**4. ASSISTANCE PROVIDED TO NON-STATE SUBRECIPIENTS**

The following pages contain pass-through amounts disbursed by the Commonwealth of Virginia to non-state subrecipients.

CFDA #	Federal Program Name	Amount
10.217	Higher Education Challenge Grants Program	\$ 179,898
10.310	Agriculture and Food Research Initiative (AFRI)	12,770
10.500	Cooperative Extension Service	125,056
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	4,929,963
10.558	Child and Adult Care Food Program	43,436,202
10.572	WIC Farmers' Market Nutrition Program (FMNP)	50,000
10.576	Senior Farmers Market Nutrition Program	404,256
10.582	Fresh Fruit and Vegetable Program	3,493,513
10.664	Cooperative Forestry Assistance	578,293
10.678	Forest Stewardship Program	56,909
10.761	Technical Assistance and Training Grants	134,738
11.417	Sea Grant Support	41,727
11.419	Coastal Zone Management Administration Awards	452,207
11.457	Chesapeake Bay Studies	1,500
11.472	Unallied Science Program	295,027
11.611	Manufacturing Extension Partnership	160,819
12.000	Other Assistance	830,937
	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a	
12.607	Military Installation	103,785
12.614	Community Economic Adjustment Assistance for Advance Planning and Economic Diversification	1,566,196
12.630	Basic, Applied, and Advanced Research in Science and Engineering - ARRA	11,748,503
14.231	Emergency Solutions Grant Program	2,533,622
14.235	Supportive Housing Program	124,642
14.239	Home Investment Partnerships Program	9,941,006
14.241	Housing Opportunities for Persons with AIDS	624,763
14.401	Fair Housing Assistance Program-State and Local	12,325
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	3,575,888
15.252	Abandoned Mine Land Reclamation (AMLR) Program	12,898,544
15.616	Clean Vessel Act	125,318
15.814	National Geological and Geophysical Data Preservation Program	4,138
15.904	Historic Preservation Fund Grants-In-Aid	65,865
15.926	American Battlefield Protection	30,593
15.935	National Trails System Projects - ARRA	5,000
	Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane	
15.957	Sandy	8,509
16.017	Sexual Assault Services Formula Program	375,664
16.523	Juvenile Accountability Block Grants	585,203
16.540	Juvenile Justice and Delinquency Prevention-Allocation to States	476,652
16.548	Title V-Delinquency Prevention Program	32,640
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	4,441
16.575	Crime Victim Assistance	8,883,329
16.585	Drug Court Discretionary Grant Program	72,163
16.588	Violence Against Women Formula Grants - ARRA	2,411,918
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	96,400
16.593	Residential Substance Abuse Treatment for State Prisoners	39,683
16.726	Juvenile Mentoring Program	29,544
16.812	Second Chance Act Prisoner Reentry Initiative	35,790
17.235	Senior Community Service Employment Program	1,760,807
17.269	Community Based Job Training Grants	17,417
17.277	Workforce Investment Act (WIA) National Emergency Grants	8,999
17.600	Mine Health and Safety Grants	47,582
17.603	Brookwood-Sago Grant	13,350
19.345	International Programs to Support Democracy, Human Rights and Labor	230,940
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges	45,000
19.501	Public Diplomacy Programs for Afghanistan and Pakistan	18,332
19.800	Weapons Removal and Abatement	228,120
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	2,285,505
20.509	Formula Grants for Rural Areas	15,391,408
20.522	Alternatives Analysis	997,447
20.607	Alcohol Open Container Requirements	3,286,469
20.616	National Priority Safety Programs	268,034
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	69,113
21.000	Other Assistance	26,532,640
23.002	Appalachian Area Development	1,108,976
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	197,830
43.001	Science	42,052
45.163	Promotion of the Humanities-Professional Development	13,600
45.313	Laura Bush 21st Century Librarian Program	16,676
47.000	Other Assistance	22,716

CFDA #	Federal Program Name	Amount
47.050	Geosciences	15,100
47.074	Biological Sciences	920
47.076	Education and Human Resources	360,882
59.037	Small Business Development Centers	1,033,559
59.064	Entrepreneurial Development Disaster Assistance (Disaster Relief Appropriations Act)	3,834
66.040	State Clean Diesel Grant Program - ARRA	116,352
66.454	Water Quality Management Planning - ARRA	146,108
66.460	Nonpoint Source Implementation Grants	1,379,207
66.466	Chesapeake Bay Program	495,731
66.605	Performance Partnership Grants	178,616
81.041	State Energy Program	1,448,405
81.042	Weatherization Assistance for Low-Income Persons	4,954,788
81.119	State Energy Program Special Projects	781,964
84.002	Adult Education-Basic Grants to States	9,876,384
84.010	Title I Grants to Local Educational Agencies	233,069,307
84.011	Migrant Education-State Grant Program	706,016
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	833,152
84.016	Undergraduate International Studies and Foreign Language Programs	31,918
84.048	Career and Technical Education-Basic Grants to States	16,602,124
84.116	Fund for the Improvement of Postsecondary Education	32,164
84.144	Migrant Education-Coordination Program	69,068
84.181	Special Education-Grants for Infants and Families	7,634,448
84.196	Education for Homeless Children and Youth	1,060,526
84.287	Twenty-First Century Community Learning Centers	15,699,743
84.323	Special Education - State Personnel Development Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	285,144 353,905
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	227,616
84.350	Transition to Teaching	18,461
84.358	Rural Education	1,719,627
84.365	English Language Acquisition State Grants	12,638,908
84.366	Mathematics and Science Partnerships	675,385
84.367	Improving Teacher Quality State Grants	42,190,012
84.378	College Access Challenge Grant Program	1,241,149
93.000	Other Assistance	12,900
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93,721 198,568
93.042	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	498,135
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects - ARRA	194,307
93.052	National Family Caregiver Support, Title III, Part E	3,143,813
93.071	Medicare Enrollment Assistance Program	207,350
93.072	Lifespan Respite Care Program Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned	12,947 7,037,786
93.074	Cooperative Agreements	272,898
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	94,298
93.092	Affordable Care Act - Personal Responsibility Education Program	420,587
93.107	Area Health Education Centers Point of Service Maintenance and Enhancement Awards	14,000
93.110	Maternal and Child Health Federal Consolidated Programs	398,145
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	461,592
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,376,794
93.150	Projects for Assistance in Transition from Homelessness (PATH)	22,296
93.211	Telehealth Programs	93,501
93.217	Family Planning-Services	5,091
93.235	Affordable Care Act (ACA) Abstinence Education Program	19,950
93.236	Grants to States to Support Oral Health Workforce Activities	147,246
93.241	State Rural Hospital Flexibility Program	1,872,872
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	269,180
93.268	Immunization Cooperative Agreements	1,752,572
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance	227,074
93.301	Small Rural Hospital Improvement Grant Program	13,000
93.504	Family to Family Health Information Centers	4,559,008
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	216,880
93.509	Affordable Care Act (ACA) State Health Care Workforce Development Grants	96,873
93.510	Affordable Care Act (ACA) Primary Care Residency Expansion Program PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and	498
93.539	Performance financed in part by Prevention and Public Health Funds	

CFDA #	Federal Program Name	Amount
	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated	
93.544	Chronic Disease Prevention and Health Promotion Program	37,899
93.556	Promoting Safe and Stable Families	4,894,020
93.566	Refugee and Entrant Assistance-State Administered Programs	5,244,942
93.568	Low-Income Home Energy Assistance	15,261,732
93.569	Community Services Block Grant	9,757,728
93.576	Refugee and Entrant Assistance-Discretionary Grants	579,455
93.584	Refugee and Entrant Assistance-Targeted Assistance Grants	157,537
93.590	Community-Based Child Abuse Prevention Grants	575,744
93.597	Grants to States for Access and Visitation Programs	183,331
93.599	Chafee Education and Training Vouchers Program (ETV)	377,715
93.600	Head Start	71,869
93.603	Adoption Incentive Payments	58,846
93.611	Strong Start for Mothers and Newborns	78,626
93.630	Developmental Disabilities Basic Support and Advocacy Grants	155,192
93.643	Children's Justice Grants to States	20,626
93.645	Stephanie Tubbs Jones Child Welfare Services Program	4,287,547
93.658	Foster Care-Title IV-E - ARRA	46,887,509
93.659	Adoption Assistance - ARRA	40,244,605
93.667	Social Services Block Grant	46,934,036
93.669	Child Abuse and Neglect State Grants	342,943
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	1,885,224
93.674	Chafee Foster Care Independence Program	1,116,529
	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education	
93.734	Programs – financed by Prevention and Public Health Funds (PPHF)	444,152
	State Public Health Approaches for Ensuring Quitline Capacity, Funded in part by Prevention and Public	
93.735	Health Funds (PPHF)	318,182
	PPHF: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely financed	
93.744	by Prevention and Public Health Funds	4,140
	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk	
93.745	Factor Surveillance System Financed in Part by Prevention and Public Health Funds	173,344
93.767	Children's Health Insurance Program	2,601,602
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	718,410
93.879	Medical Library Assistance	1,651
93.889	National Bioterrorism Hospital Preparedness Program	748,891
93.917	HIV Care Formula Grants	7,832,549
93.926	Healthy Start Initiative	326,131
93.928	Special Projects of National Significance	476,138
93.940	HIV Prevention Activities-Health Department Based	3,011,383
93.958	Block Grants for Community Mental Health Services	8,057,299
93.959	Block Grants for Prevention and Treatment of Substance Abuse	37,484,869
93.969	PPHF Geriatric Education Centers	50,724
93.977	Preventive Health Services-Sexually Transmitted Diseases Control Grants	10,833
93.991	Preventive Health and Health Services Block Grant	412,607
93.994	Maternal and Child Health Services Block Grant to the States	3,491,924
94.003	State Commissions	43
94.006	AmeriCorps - ARRA	2,371,675
97.008	Non-Profit Security Program	2,767,901
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	13,656,191
97.039	Hazard Mitigation Grant	1,853,909
97.042	Emergency Management Performance Grants	2,208,996
97.052	Emergency Operations Centers	1,000,000
97.055	Interoperable Emergency Communications	77,117
97.056	Port Security Grant Program	659,971
97.067	Homeland Security Grant Program	1,783,032
97.071	Metropolitan Medical Response System	599,112
97.073	State Homeland Security Program (SHSP)	3,423,916
97.092	Repetitive Flood Claims	268,913
97.110	Severe Loss Repetitive Program	212,868
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	550,828
	Stimulus (ARRA) Programs	9,050,798
	Stimulus (ARRA) Research and Development	2,541,105
	Research and Development Cluster	75,189,509
	Child Nutrition Cluster	322,181,169
	SNAP Cluster	83,061,902
	Food Distribution Cluster	7,958,216
	Forest Service Schools and Roads Cluster	1,512,374
	Economic Development Cluster	92,194

CFDA #	Federal Program Name	Amount
	CDBG - State-Administered CDBG Cluster	24,948,239
	JAG Program Cluster	3,568,182
	WIA Cluster	35,454,419
	Highway Planning and Construction Cluster	147,364,068
	Federal Transit Cluster	1,269,900
	Transit Services Programs Cluster	2,117,107
	Highway Safety Cluster	4,631,444
	Clean Water State Revolving Fund Cluster	25,955,727
	Drinking Water State Revolving Fund Cluster	15,220,227
	Total Special Education Cluster (IDEA)	287,372,466
	TRIO Cluster	650,705
	School Improvement Grants Cluster	18,262,954
	Statewide Data Systems Cluster	1,112,521
	Aging Cluster	22,076,145
	TANF Cluster	56,533,865
	CCDF Cluster	17,247,931
	Medicaid Cluster	72,861,776

Grand Total \$ 2,058,801,256

## ACRONYMS

Acronym	Definition
<b>ABC</b>	Department of Alcoholic Beverage Control
<b>ACA</b>	Affordable Care Act
<b>ADAPT</b>	Application Benefit Delivery Automation Project
<b>APA</b>	Auditor of Public Accounts
<b>APECS</b>	Automate Program to Enforce Child Support
<b>APSPM</b>	Agency Procurement and Surplus Property Manual
<b>ARS</b>	Adjustment and Reporting System
<b>BIA</b>	Business Impact Analysis
<b>BRCC</b>	Blue Ridge Community College
<b>CACFP</b>	Child and Adult Care Feeding Program
<b>CAFR</b>	Comprehensive Annual Financial Report
<b>CAPP</b>	Commonwealth Accounting Policies and Procedures
<b>CARS</b>	Commonwealth Accounting and Reporting System
<b>CFDA</b>	Catalog of Federal Domestic Assistance
<b>CFR</b>	Code of Federal Regulations
<b>CIO</b>	Chief Information Officer
<b>CIPPS</b>	Commonwealth Integrated Payroll and Personnel System
<b>CISO</b>	Chief Information Security Officer
<b>CNU</b>	Christopher Newport University
<b>COD</b>	Common Origination and Disbursement System
<b>COOP</b>	Continuity of Operations Plan
<b>CSO</b>	Commonwealth Accounting and Reporting System Security Officer
<b>CVCC</b>	Central Virginia Community College
<b>DBHDS</b>	Department of Behavioral Health and Developmental Services
<b>DCC</b>	Danville Community College
<b>DCL</b>	Dear Colleague Letter
<b>DGS</b>	Department of General Services
<b>DHRM</b>	Department of Human Resource Management
<b>DMAS</b>	Department of Medical Assistance Services
<b>DMV</b>	Department of Motor Vehicles
<b>DOA</b>	Department of Accounts
<b>DOC</b>	Department of Corrections
<b>DOE</b>	Department of Education
<b>DPB</b>	Department of Planning and Budget
<b>DRP</b>	Disaster Recovery Plan
<b>DRS</b>	Department of Rehabilitative Services

Acronym	Definition
<b>DSS</b>	Department of Social Services
<b>DUNS</b>	Data Universal Numbering System
<b>EAS</b>	Energy Assistance System
<b>EBT</b>	Electronic Benefit Transfer
<b>FAACS</b>	Fixed Assets Accounting System
<b>FAAS</b>	Financial Accounting Analysis System
<b>FERPA</b>	Federal Educational Rights and Privacy Act
<b>FFATA</b>	Federal Funding Accountability and Transparency Act
<b>FFEL</b>	Federal Family Education Loan
<b>FHWA</b>	Federal Highway Administration
<b>FMS</b>	Financial Management System'
<b>FNS</b>	Food and Nutrition Services
<b>FOIA</b>	Freedom of Information Act
<b>FOIAE</b>	Freedom of Information Act Exempt
<b>FSRS</b>	FFATA Subaward Reporting System
<b>GASB</b>	Governmental Accounting Standards Board
<b>HEA</b>	Higher Education Act
<b>HIPAA</b>	Health Insurance Portability and Accountability Act
<b>HPP</b>	Hospital Preparedness Program
<b>IDOLS</b>	Intellectual Disability On-line System
<b>IIA</b>	Institute of Internal Auditors
<b>ISO</b>	Information Security Officer
<b>ITRM</b>	Information Technology Resource Management
<b>JMU</b>	James Madison University
<b>LAS</b>	Lease Accounting System
<b>LFCC</b>	Lord Fairfax Community College
<b>MCO</b>	Managed Care Organization
<b>MMIS</b>	Medicaid Management Information System
<b>NSLDS</b>	National Student Loan Data System
<b>NSU</b>	Norfolk State University
<b>OFHS</b>	Office of Family Health Services
<b>OMB</b>	Office of Management and Budget
<b>PAW</b>	Pay Action Worksheet
<b>PHCC</b>	Patrick Henry Community College
<b>PHEP</b>	Public Health Emergency Preparedness
<b>PMIS</b>	Personnel Management Information System
<b>PVCC</b>	Piedmont Valley Community College
<b>RCC</b>	Rappahannock Community College

Acronym	Definition
<b>ROAP</b>	Regional Office Administered Program
<b>SAFE</b>	System Access for Employees
<b>SAS</b>	School Account Statements
<b>SBE</b>	State Board of Elections
<b>SCC</b>	State Corporation Commission
<b>SEFA</b>	Schedule of Expenditure of Federal Awards
<b>SLD</b>	State Lottery Department
<b>SNAP</b>	Supplemental Nutrition Assistance Program
<b>SOC</b>	Service Organization Control
<b>SQL</b>	Structured Query Language
<b>SRTS</b>	Service Request Tracking System
<b>SSWS</b>	Single Sign-on for Web Systems
<b>SVCC</b>	Southside Virginia Community College
<b>SWCC</b>	Southwest Virginia Community College
<b>TANF</b>	Temporary Assistance for Needy Families
<b>TAX</b>	Department of Taxation
<b>TCC</b>	Tidewater Community College
<b>TD</b>	Department of the Treasury
<b>TEOAF</b>	Treasury's Executive Office for Asset Forfeiture
<b>TNCC</b>	Thomas Nelson Community College
<b>UAP</b>	Utility Accommodation Policy
<b>USDA</b>	United States Department of Agriculture
<b>UVA</b>	University of Virginia
<b>VABS</b>	Virginia Automated Benefits System
<b>VATS</b>	Virginia Automated Tax System
<b>VCCS</b>	Virginia Community College System
<b>VCSP</b>	Virginia College Savings Plan
<b>VCU</b>	Virginia Commonwealth University
<b>VDH</b>	Virginia Department of Health
<b>VDOT</b>	Department of Transportation
<b>VEC</b>	Virginia Employment Commission
<b>VHWDA</b>	Virginia Health Workforce Development Authority
<b>VITA</b>	Virginia Information Technology Agency
<b>VNAV</b>	myVRS Navigator
<b>VRS</b>	Virginia Retirement System
<b>VWCC</b>	Virginia Western Community College
<b>WIC</b>	Special Supplemental Nutrition Program for Women, Infants, and Children

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