NEW ISSUE/BOOK-ENTRY

RATINGS: 2016C Infrastructure Revenue Bonds: Aaa (Moody's), AAA (S&P)
2016C Moral Obligation Bonds: Aa2 (Moody's), AA (S&P)
(See "Ratings" herein)

In the opinion of Bond Counsel, under current law and subject to the conditions described in "TAX MATTERS" herein, interest on the 2016C Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code on individuals and corporations. However, interest on the 2016C Bonds must be included in the calculation of a corporation's federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the 2016C Bonds is exempt from income taxation by the Commonwealth of Virginia (the "Commonwealth"). See "TAX MATTERS" herein regarding certain other tax considerations.

VRA Virginia Resources Authority

$212,915,000 Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) Series 2016C consisting of

$146,095,000 Infrastructure Revenue Bonds **$66,820,000 State Moral Obligation Revenue Bonds**

Dated: Date of Delivery **Due: November 1, as shown on the inside cover page**

This Official Statement has been prepared by the Virginia Resources Authority ("VRA") to provide information on the above-referenced bonds (collectively, the "2016C Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the 2016C Bonds, a prospective investor should read this Official Statement in its entirety. Unless otherwise defined, all capitalized terms used on this cover page have the meanings assigned to them herein.

Security	*The 2016C Bonds are limited obligations of VRA, payable from (a) the payments under the Local Obligations, (b) the amounts held in certain funds and accounts and (c) the earnings, if any, derived from the investment of such funds and accounts, all as more fully described herein. The pledge and grant of payments under the Local Obligations securing the 2016C Moral Obligation Bonds is in all respects junior and subordinate to the pledge and grant securing the 2016C Infrastructure Revenue Bonds.*
	Neither the Commonwealth nor any political subdivision thereof, including VRA, will be obligated to pay the principal of, premium, if any, or interest on the 2016C Bonds or other costs incident thereto except from the revenues, money or property of VRA pledged for such purpose. Neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the 2016C Bonds.
	VRA has no taxing power*.*
Purpose	*The net 2016C Bond proceeds will be used to purchase or acquire the 2016C Local Obligations issued by the 2016C Local Governments to finance or refinance Qualified Projects.*
Issued Pursuant to	*Master Indenture of Trust dated as of December 1, 2003, as previously supplemented and amended and as further supplemented by a Thirty-Seventh Supplemental Series Indenture of Trust dated as of November 1, 2016, between VRA and U.S. Bank National Association, as successor trustee.*
Interest Rates/Yields	*See inside cover pages.*
Redemption	*See inside cover pages.*
Interest Payment Dates	*May 1 and November 1, commencing May 1, 2017.*
Interest Computation	*360-day year comprised of 12 months of 30 days each.*
Denomination	*$5,000 or integral multiples thereof.*
Regular Record Date	*The 15th day of the month preceding each payment date.*
Registration	*Book-entry only through the facilities of The Depository Trust Company.*
Trustee	*U.S. Bank National Association, Richmond, Virginia.*
Bond Counsel	*McGuireWoods LLP, Richmond, Virginia.*
General Counsel	*Stephanie L. Hamlett, Esquire.*
Underwriters' Counsel	*Troutman Sanders LLP, Richmond, Virginia*
Financial Advisor	*Davenport & Company LLC, Richmond, Virginia.*
Conditions Affecting Issuance	*The 2016C Bonds are offered when, as and if issued, subject to, among other conditions, the approving legal opinion of McGuireWoods LLP, Bond Counsel.*
Closing/Delivery Date	*On or about November 16, 2016.*

Underwriters for 2016C Infrastructure Revenue Bonds:

Raymond James **RBC Capital Markets**

BofA Merrill Lynch **Siebert Cisneros Shank & Co., L.L.C.** **Wells Fargo Securities**

Dated: November 2, 2016

VIRGINIA RESOURCES AUTHORITY

$146,095,000 Infrastructure Revenue Bonds
(Virginia Pooled Financing Program), Series 2016C
(Base CUSIP: 92818M)**

Maturity November 1	Principal Amount	Interest Rate	Yield	Price	CUSIP** Suffix
2017	$1,190,000	2.000%	0.720%	101.220%	AA8
2018	1,450,000	5.000	0.880	107.981	AB6
2019	1,545,000	5.000	1.000	111.630	AC4
2020	1,765,000	4.000	1.110	111.161	AD2
2021	2,575,000	5.000	1.210	118.185	AE0
2022	2,915,000	5.000	1.320	121.019	AF7
2023	3,925,000	5.000	1.460	123.341	AG5
2024	4,095,000	5.000	1.610	125.226	AH3
2025	4,140,000	5.000	1.750	126.838	AJ9
2026	5,040,000	5.000	1.830	128.737	AK6
2027	5,485,000	5.000	1.960	127.379*	AL4
2028	6,130,000	5.000	2.070	126.243*	AM2
2029	165,000	3.000	2.480	104.562*	BX7
2029	5,620,000	5.000	2.180	125.119*	AN0
2030	5,710,000	5.000	2.240	124.511*	AP5
2031	50,000	4.000	2.560	112.586*	AQ3
2031	5,900,000	5.000	2.310	123.806*	BY5
2032	6,225,000	4.000	2.700	111.284*	AR1
2033	6,600,000	4.000	2.790	110.456*	AS9
2034	7,205,000	4.000	2.840	109.999*	AT7
2035	7,525,000	4.000	2.880	109.635*	AU4
2036	8,410,000	4.000	2.910	109.363*	AV2
2037	8,950,000	4.000	2.940	109.092*	AY6
2038	10,910,000	3.250	3.350	98.453	AZ3

$26,290,000 4.000% 2016C Infrastructure Revenue Term Bonds due November 1, 2041,
Priced at 108.104%* to Yield 3.050% CUSIP Suffix AW0**

$6,280,000 4.000% 2016C Infrastructure Revenue Term Bonds due November 1, 2046,
Priced at 107.570%* to Yield 3.110% CUSIP Suffix AX8**

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* Priced to November 1, 2026 call date.

** See the paragraph titled "Use of CUSIP Numbers in this Official Statement" in Section One - Summary of the 2016C Bonds and the Virginia Pooled Financing Program, regarding the use of CUSIP numbers in this Official Statement.

VIRGINIA RESOURCES AUTHORITY

$66,820,000 State Moral Obligation Revenue Bonds
(Virginia Pooled Financing Program), Series 2016C
(Base CUSIP: 92818M)**

Maturity November 1	Principal Amount	Interest Rate	Yield	Price	CUSIP** Suffix
2017	$545,000	2.000%	0.800%	101.143%	BA7
2018	685,000	3.000	0.950	103.967	BB5
2019	725,000	4.000	1.070	108.509	BC3
2020	870,000	5.000	1.190	114.688	BD1
2021	1,215,000	5.000	1.340	117.500	BE9
2022	1,365,000	5.000	1.430	120.320	BF6
2023	1,855,000	5.000	1.570	122.525	BG4
2024	1,955,000	5.000	1.710	124.381	BH2
2025	1,980,000	5.000	1.840	125.987	BJ8
2026	1,835,000	5.000	1.940	127.587	BK5
2027	2,010,000	5.000	2.040	126.552*	BL3
2028	2,285,000	5.000	2.140	125.527*	BM1
2029	2,785,000	5.000	2.230	124.613*	BN9
2030	2,725,000	5.000	2.290	124.007*	BP4
2031	2,805,000	5.000	2.360	123.306*	BQ2
2032	2,940,000	4.000	2.680	111.469*	BR0
2033	2,315,000	4.000	2.790	110.456*	BS8
2034	3,400,000	4.000	2.890	109.544*	BT6
2035	3,545,000	4.000	2.930	109.182*	BU3
2036	3,945,000	4.000	2.960	108.912*	BV1

$25,035,000 3.250% Moral Obligation Term Bonds due November 1, 2046,
Priced at 98.000% to Yield 3.356% CUSIP Suffix BW9**

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* Priced to November 1, 2026 call date.

** See the paragraph titled "Use of CUSIP Numbers in this Official Statement" in Section One - Summary of the 2016C Bonds and the Virginia Pooled Financing Program, regarding the use of CUSIP numbers in this Official Statement.

Redemption Provisions

Optional Redemption of 2016C Bonds. The 2016C Bonds maturing on or after November 1, 2027 may be redeemed prior to their respective maturities, at the option of VRA, from any moneys that may be made available for such purpose, either in whole or in part (in $5,000 increments), on any date and in such order as VRA may determine on and after November 1, 2026, at a redemption price equal to 100% of the principal amount of such 2016C Bonds to be redeemed together with the unpaid interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption for the 2016C Infrastructure Revenue Bonds. The 2016C Infrastructure Revenue Bonds maturing on November 1, 2041 are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2016C Infrastructure Revenue Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

Year	Amount
2039	$10,685,000
2040	12,290,000
2041 (final maturity)	3,315,000

The 2016C Infrastructure Revenue Bonds maturing on November 1, 2046 are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below at a redemption price equal to 100% of the principal amount of such 2016C Infrastructure Revenue Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

Year	Amount
2042	$3,445,000
2043	1,215,000
2044	520,000
2045	540,000
2046 (final maturity)	560,000

Mandatory Sinking Fund Redemption for the 2016C Moral Obligation Bonds. The 2016C Moral Obligation Bonds maturing on November 1, 2046 are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below at a redemption price equal to 100% of the principal amount of such 2016C Moral Obligation Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

Year	Amount
2037	$4,160,000
2038	5,050,000
2039	4,975,000
2040	7,960,000
2041	530,000
2042	540,000
2043	870,000
2044	220,000
2045	230,000
2046 (final maturity)	500,000

The 2016C Bonds are being issued under exemptions from any registration requirements under the Securities Act of 1933, as amended, and any registration requirements under the securities laws of the Commonwealth.

No dealer, broker, salesman or other person has been authorized by VRA to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by VRA. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2016C Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between VRA and the purchasers or owners of any of the 2016C Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in affairs of VRA or in any other matters described herein since the date hereof or, as in the case of certain information incorporated herein to certain publicly available documents, since the date of such documents.

The information set forth herein has been obtained from VRA and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any of such sources as to information provided by any other source. All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions identify forward-looking statements. A number of factors affecting VRA and its financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The Underwriters, as hereinafter defined in the subsection "UNDERWRITING OF CERTAIN 2016C BONDS" in Section Four, and the Winning Bidder as hereinafter defined in the subsection "SALE OF 2016C MORAL OBLIGATION BONDS BY COMPETITIVE BIDDING" in Section Four, may engage in transactions that stabilize, maintain or otherwise affect the price of the 2016C Bonds, including transactions to (i) over allot in arranging the sales of the 2016C Bonds and (ii) make purchases in sales of 2016C Bonds, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriters or the Winning Bidder may determine. Such stabilization, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and which has the same meaning as "final official statement" in SEC rule 15c2-12.

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OFFICIAL STATEMENT
of the
VIRGINIA RESOURCES AUTHORITY

$146,095,000	**$66,820,000**
Infrastructure Revenue Bonds	**State Moral Obligation Revenue Bonds**
(Virginia Pooled Financing Program),	**(Virginia Pooled Financing Program),**
Series 2016C	**Series 2016C**

SECTION ONE: INTRODUCTION

The following introductory information is furnished solely to provide limited introductory information regarding the 2016C Bonds and the Virginia Pooled Financing Program and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto. All capitalized terms not otherwise defined shall have the meanings assigned to them as set forth in Appendix A.

GENERAL

This Official Statement (including the cover page, the inside cover page and the appendices hereto) is furnished to provide information concerning the above-referenced bonds (respectively, the "2016C Infrastructure Revenue Bonds" and the "2016C Moral Obligation Bonds" and, collectively, the "2016C Bonds"). The Virginia Resources Authority ("VRA") is issuing the 2016C Bonds to provide funding in connection with VRA's Virginia Pooled Financing Program. VRA has approved and authorized the use of this Official Statement in connection with the sale of the 2016C Bonds. The information speaks as of its date and is not intended to indicate future or continuing trends in the financial position of VRA, the Commonwealth of Virginia (the "Commonwealth") or any of the Local Governments, as hereinafter defined.

The 2016C Bonds are being issued pursuant to the Virginia Resources Authority Act (the "Act"), Chapter 21, Title 62.1 of the Code of Virginia of 1950, as amended (the "Virginia Code"), amended and restated resolutions adopted by VRA's Board of Directors on September 13, 2016 (the "2016C Resolutions"), and a Master Indenture of Trust dated as of December 1, 2003, as previously supplemented and amended (the "Master Indenture"), between VRA and U.S. Bank National Association, as successor trustee (the "Trustee"), and as further supplemented by a Thirty-Seventh Supplemental Series Indenture of Trust dated as of November 1, 2016 (the "Thirty-Seventh Supplemental Series Indenture"), between VRA and the Trustee. The Master Indenture and the Thirty-Seventh Supplemental Series Indenture are sometimes together referred to herein as the "Indenture."

"Moral Obligation," as used in the preceding paragraphs and throughout this Official Statement, refers to the non-legally-binding "moral" obligation of the Commonwealth to maintain the required balance in the Capital Reserve Fund securing the 2016C Moral Obligation Bonds and all other Moral Obligation Bonds issued under the Indenture as described under the heading "Capital Reserve Fund" in the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS – Moral Obligation Bonds" in Section Two.

SUMMARY OF THE 2016C BONDS AND THE VIRGINIA POOLED FINANCING PROGRAM

The Issuer	VRA, which was created by the Act and is organized and exists as a public body corporate and a political subdivision of the Commonwealth.
Principal Payments	November 1, as set forth on the inside cover pages.
Interest Payments	May 1 and November 1, commencing May 1, 2017.
Interest Calculation	360-day year comprised of 12 months of 30 days each.
Regular Record Date	The 15th day of the month preceding each payment date.
Authorized Denominations	$5,000 and integral multiples thereof.
Registration	Book-entry only through the facilities of The Depository Trust Company, New York, New York ("DTC").
Settlement	Same-day funds through DTC.
Closing/Delivery Date	On or about November 16, 2016.
Ratings	2016C Infrastructure Revenue Bonds: Aaa (Moody's), AAA (S&P) 2016C Moral Obligation Bonds: Aa2 (Moody's), AA (S&P) A more complete description of the ratings is provided in the subsection "RATINGS" in Section Four.
Optional Redemption	The 2016C Bonds maturing on or after November 1, 2027, are subject to optional redemption on and after November 1, 2026, at a redemption price equal to 100% of the principal amount of such 2016C Bonds to be redeemed together with the unpaid interest accrued thereon to the date fixed for redemption. See the heading "Redemption" in the subsection "DESCRIPTION OF THE 2016C BONDS" in Section Two.
Mandatory Sinking Fund Redemption	See the inside cover pages of this Official Statement and under the heading "Redemption" in the subsection "DESCRIPTION OF THE 2016C BONDS" in Section Two for a description of the mandatory sinking fund redemption provisions applicable to the 2016C Bonds.
Use of Proceeds	VRA will use the net proceeds of the 2016C Bonds (a) to purchase or acquire local bonds and financing leases (collectively, the "2016C Local Obligations") issued or entered into by certain Local Governments, as hereinafter defined (collectively, the "2016C Local Governments"), to finance or refinance Qualified Projects (as hereinafter defined), (b) to provide for a deposit to the Capital Reserve Fund, as hereinafter defined, and (c) to pay costs of issuance related to the 2016C Bonds. See the subsection "PLAN OF FINANCE AND REFUNDING" in Section Two.

Virginia Pooled Financing Program	The Virginia Pooled Financing Program enables Virginia counties, cities, towns and other local authorities (as more particularly defined in Appendix A, each a "Local Government"), to finance or refinance infrastructure and other projects specified under the Act (as more particularly defined in the subsection "VIRGINIA POOLED FINANCING PROGRAM" in Section Three, each a "Qualified Project"). See the subsection "VIRGINIA POOLED FINANCING PROGRAM" in Section Three.
Categories of Virginia Pooled Financing Program Bonds	VRA issues two categories of Virginia Pooled Financing Program Bonds under the Master Indenture: Infrastructure Revenue Bonds (the "Infrastructure Revenue Bonds") and State Moral Obligation Revenue Bonds (the "Moral Obligation Bonds"). Infrastructure Revenue Bonds and Moral Obligation Bonds are referred to collectively as the "Bonds."
Payment of the Bonds	The primary source of payment on the 2016C Bonds is the payments that VRA receives on Local Obligations. VRA expects to structure the specific amounts payable under the Local Obligations to be sufficient in timing and amount, when combined with the investment earnings and balances expected to be transferred from the Capital Reserve Fund, to provide for the full and timely payment of the debt service on the Bonds and VRA's annual administrative fees and charges when due (the "Administrative Charges"). See the subsection "VIRGINIA POOLED FINANCING PROGRAM" in Section Three.
Infrastructure Revenue Bond Security	The 2016C Infrastructure Revenue Bonds and all other Infrastructure Revenue Bonds are limited obligations of VRA secured by a senior lien on all Local Obligation payments. Infrastructure Revenue Bonds are also secured by an Operating Reserve Fund, which was valued at $7,760,000 as of the date hereof. See the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS" in Section Two.
Operating Reserve Fund	The Operating Reserve Fund is available to the Trustee in the event that there are insufficient funds available to pay debt service on the Infrastructure Revenue Bonds. See the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS" in Section Two.
Moral Obligation Bond Security	The 2016C Moral Obligation Bonds and all other Moral Obligation Bonds are limited obligations of VRA secured by a junior lien on all Local Obligation payments. Moral Obligation Bonds are also secured by the Capital Reserve Fund. See the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS" in Section Two.
Capital Reserve Fund	The Capital Reserve Fund is funded in an amount at least equal to the maximum annual debt service on the Moral Obligation Bonds and is available to the Trustee in the event that there are insufficient funds available to pay debt service on the Moral Obligation Bonds. The Commonwealth has a Moral Obligation to replenish any deficiency in the Capital Reserve Fund. See the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS" in Section Two.

Security for Local Obligations	Local Obligations are secured by one or more of the following pledges: • General Obligation • Revenue • Moral Obligation (of a Local Government) • Special Fund • Financing Lease See the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in Section Two.
State Aid Intercept	VRA is authorized by law and has covenanted in the Master Indenture to take any and all action to cause the interception of the state aid provided to certain Local Governments that fail to make a payment on their Local Obligations when due. **The intercept provision applies only to counties, cities and towns, and does not apply to regional or local authorities.** VRA has never had to use this remedy. See the information under the heading "Commonwealth Aid Intercept Provision" in the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in Section Two.
Capitalization Structure of the Virginia Pooled Financing Program	VRA's current practice is to structure the Virginia Pooled Financing Program so that approximately $0.70 of each $1.00 borrowed is funded through Infrastructure Revenue Bonds and approximately $0.30 of each $1.00 borrowed is funded through Moral Obligation Bonds. **VRA is not obligated to maintain this structure, and there can be no assurances that VRA will maintain this structure in the future.** See the subsection "THE VIRGINIA POOLED FINANCING PROGRAM" in Section Three.
Outstanding Infrastructure Revenue Bonds	As of September 30, 2016, $1,655,565,000 principal amount of the Infrastructure Revenue Bonds was outstanding. Each Infrastructure Revenue Bond, including each 2016C Infrastructure Revenue Bond, is payable and secured on a parity basis with all other Infrastructure Revenue Bonds. See the subsections "ADDITIONAL INDEBTEDNESS" and "PRIOR SERIES OF BONDS" in Section Two.
Outstanding Moral Obligation Bonds	As of September 30, 2016, $802,355,000 principal amount of the Moral Obligation Bonds was outstanding. Each Moral Obligation Bond, including each 2016C Moral Obligation Bond, is payable and secured on a parity basis with all other Moral Obligation Bonds. See the subsections "ADDITIONAL INDEBTEDNESS" and "PRIOR SERIES OF BONDS" in Section Two.
Investment Considerations	Prospective purchasers of the 2016C Bonds should be aware that investment in the 2016C Bonds entails some degree of risk and uncertainty, and all of the information presented in this Official Statement should be considered carefully before making a decision to invest in the 2016C Bonds. See the subsection "INVESTMENT CONSIDERATIONS" in Section Two.

Continuing Disclosure	Each of (a) VRA, (b) the Commonwealth and (c) any Local Government that becomes a "Material Local Government" will undertake to provide certain limited information at specified times under certain conditions to assist the Underwriters and the Winning Bidder in complying with the provisions of Rule 15c2-12. As of the date hereof, no Local Government qualifies as a Material Local Government, and no Local Government has qualified as a Material Local Government within the past five years. Within the past five years, VRA has not complied in all respects with its prior continuing disclosure undertakings. See the subsection "CONTINUING DISCLOSURE UNDER RULE 15c2-12" in Section Four.
Additional Information	Any question concerning the content of this Official Statement should be directed to Stephanie L. Hamlett, Executive Director and General Counsel, Virginia Resources Authority, 1111 East Main Street, Suite 1920, Richmond, Virginia 23219 (804-644-3100) or Ty Wellford, Davenport & Company LLC, 901 East Cary Street, 14th Floor, Richmond, Virginia 23219 (804-697-2915).
Use of CUSIP Numbers in this Official Statement	The CUSIP (Committee on Uniform Securities Identification Procedures) numbers shown in this Official Statement are assigned by an organization not affiliated with VRA, and VRA is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely as a convenience to bondholders, and VRA makes no representation as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed at any time based on a number of factors. VRA has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers shown herein.

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SECTION TWO: THE 2016C BONDS

AUTHORITY FOR ISSUANCE OF THE 2016C BONDS

The 2016C Bonds are being issued pursuant to the Act, the 2016C Resolutions and the Indenture. See Appendix A for a summary of certain provisions of the Indenture.

PLAN OF FINANCE AND REFUNDING

VRA will apply the proceeds of the 2016C Bonds to (a) purchase or acquire the 2016C Local Obligations issued or entered into by the 2016C Local Governments to finance or refinance Qualified Projects, (b) provide for a deposit to the Capital Reserve Fund, and (c) pay costs of issuance. The 2016C Local Obligations will be structured to provide for payments of debt service or rentals at levels, together with expected Capital Reserve Fund earnings and released balances therefrom, that are sufficient in the aggregate to provide for the payment of the 2016C Bonds and VRA's Administrative Charges.

VRA and certain 2016C Local Governments will effect the refinancing of Qualified Projects by refunding and defeasing publicly-sold bonds of VRA or on which the 2016C Local Governments are obligated (the "Refunded Bonds"). The 2016C Local Governments referred to above in this paragraph will be referred to collectively below as the "Refunding 2016C Local Governments."

The Refunded Bonds are listed in Appendix J.

VRA and the Refunding 2016C Local Governments will cause a portion of the proceeds of the 2016C Bonds to be deposited under one or more Escrow Agreements dated as of the date of delivery of the 2016C Bonds and certain other available funds (the "Escrow Agreements"). The Escrow Agreements will provide for the establishment of initial cash balances and investment of the remaining deposits in direct, non-callable obligations of or guaranteed by the United States Department of the Treasury (the "Escrowed Securities"). Based on the report of Bingham Arbitrage Rebate Services, Inc., Richmond, Virginia (the "Verification Agent"), the initial cash balances and the maturing principal of and interest on the Escrowed Securities will be sufficient without reinvestment to pay the principal of and premium, if any, and interest on the Refunded Bonds through the earlier of their respective maturity or redemption dates. See the subsection "VERIFICATION OF MATHEMATICAL COMPUTATIONS" in Section Four.

DESCRIPTION OF THE 2016C BONDS

General

The 2016C Bonds will be dated and will bear interest from their date of delivery, payable on May 1 and November 1 of each year, commencing May 1, 2017, and will mature on November 1 in the years and in the principal amounts set forth on the inside cover pages hereof. The principal of and premium, if any, and interest on the 2016C Bonds will be payable at the corporate trust office of the Trustee in Richmond, Virginia, or at the office designated for such payment by the Trustee or any successor Trustee. Interest on the 2016C Bonds will be payable to the person appearing in the registration books of the Trustee as the registered owner thereof on the Record Date (as hereinafter defined) by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Trustee, by wire transfer on the interest payment date to any owner of at least $1,000,000 in aggregate principal amount of the 2016C Bonds. For so long as the 2016C Bonds are registered in book-entry-only form, principal and interest will be payable solely to Cede & Co., the nominee for DTC, as the sole

registered owner of the 2016C Bonds, or any qualified securities depository selected by VRA to succeed DTC.

The term "qualified securities depository" means an entity that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof.

The Thirty-Seventh Supplemental Series Indenture establishes the 15th day of the month preceding each interest payment date as the record date (the "Record Date") for the 2016C Bonds and establishes that interest on the 2016C Bonds shall be computed on the basis of a year of 360 days and twelve 30-day months.

The 2016C Bonds are issuable as fully registered Bonds in denominations of $5,000 and integral multiples of $5,000 not exceeding the aggregate principal amount of the 2016C Bonds. The 2016C Bonds may be transferred or exchanged, upon presentation or surrender, as the case may be, at the corporate trust office of the Trustee in Richmond, Virginia, as provided in the Master Indenture, or at such other office designated for such payment by the Trustee or any successor Trustee. Any 2016C Bonds, upon surrender thereof at said corporate trust office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 2016C Bonds of the same Series, maturity and interest rate of any other authorized denominations. For every exchange or transfer of 2016C Bonds, VRA or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other government charge required to be paid with respect to such exchange or transfer.

One fully registered 2016C Bond for each Series, in the applicable aggregate principal amount of such maturity, will be registered in the name of Cede & Co. and deposited with DTC, in accordance with the Thirty-Seventh Supplemental Series Indenture. So long as 2016C Bonds are required to be registered in the name of Cede & Co., as nominee for DTC, or a successor qualified securities depository or a nominee therefor, transfers of ownership interests in the 2016C Bonds will be settled through the book-entry-only system of DTC or such successor qualified securities depository, if any. For a description of DTC and its book-entry-only system, see Appendix E.

Redemption

Optional Redemption of 2016C Bonds. The 2016C Bonds maturing on or after November 1, 2027, may be redeemed prior to their respective maturities, at the option of VRA, from any moneys that may be made available for such purpose, either in whole or in part (in $5,000 increments), on any date and in such order as VRA may determine on and after November 1, 2026, at a redemption price equal to 100% of the principal amount of such 2016C Tax-Exempt Bonds to be redeemed together with the unpaid interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption for the 2016C Infrastructure Revenue Bonds. The 2016C Infrastructure Revenue Bonds maturing on November 1, 2041, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2016C Infrastructure Revenue Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

Year	Amount
2039	$10,685,000
2040	12,290,000
2041 (final maturity)	3,315,000

The 2016C Infrastructure Revenue Bonds maturing on November 1, 2046, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below at a redemption price equal to 100% of the principal amount of such 2016C Infrastructure Revenue Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

Year	Amount
2042	$3,445,000
2043	1,215,000
2044	520,000
2045	540,000
2046 (final maturity)	560,000

Mandatory Sinking Fund Redemption for the 2016C Moral Obligation Bonds. The 2016C Moral Obligation Bonds maturing on November 1, 2046 are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below at a redemption price equal to 100% of the principal amount of such 2016C Moral Obligation Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

Year	Amount
2037	$4,160,000
2038	5,050,000
2039	4,975,000
2040	7,960,000
2041	530,000
2042	540,000
2043	870,000
2044	220,000
2045	230,000
2046 (final maturity)	500,000

Manner and Notice of Redemption. The maturities of the 2016C Bonds to be redeemed by optional redemption will be selected by VRA in its discretion. If less than all of the 2016C Bonds of a particular maturity are redeemed, the 2016C Bonds of such maturity to be redeemed will be selected by DTC in accordance with its procedures or if the book entry system has been discontinued, by the Trustee (in its capacity as paying agent) by lot in such manner as the Trustee shall determine.

Each increment of $5,000 of principal amount will be counted as one 2016C Bond for purposes of selecting 2016C Bonds for partial redemption. If a 2016C Bond is called for partial redemption, a new 2016C Bond representing any unredeemed balance will be issued to the holder.

Notice of redemption of the 2016C Bonds will be mailed by registered or certified mail, postage prepaid, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the registered owners of the 2016C Bonds, or portions thereof, so called, but the failure to so mail such notice with

respect to any particular 2016C Bonds will not affect the validity of such call for redemption of any 2016C Bonds with respect to which no such failure has occurred. Such notice may state that the redemption of the 2016C Bonds to be redeemed is conditioned upon the occurrence of certain future events, including, without limitation, the deposit of moneys, in an amount sufficient to effect the redemption, with the Trustee on or before the date fixed for redemption. All 2016C Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such 2016C Bonds in accordance with the Master Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, such 2016C Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the 2016C Bonds called for redemption at the place or places of payment, such 2016C Bonds will be paid and redeemed provided sufficient funds are on deposit with the Trustee.

So long as DTC or its nominee, Cede & Co., is the registered owner of the 2016C Bonds, any such notices of redemption will be mailed solely to DTC and distribution of such notices to Direct Participants and Indirect Participants (each as defined in Appendix E) will be the sole responsibility of DTC, and distribution of such notices to Beneficial Owners (as defined in Appendix E) will be the sole responsibility of the Direct Participants and Indirect Participants.

SOURCES AND USES OF FUNDS

The proceeds of the 2016C Bonds and other available funds will be used as follows:

Par Amount of the 2016C Bonds	$212,915,000.00
Premium	27,131,473.40
Other Funds	137,698.75
Total Sources of Funds	$240,184,172.15
Deposit to Refunding Escrows	$179,813,201.01
Deposit to Acquisition Fund	54,217,862.44
Deposit to Capital Reserve Fund [1]	4,492,800.00
VRA Cost of Issuance	745,712.28
Underwriters' Discount [2]	914,596.42
Total Uses of Funds	$240,184,172.15

[1] Amounts deposited in the Capital Reserve Fund secure the Moral Obligation Bonds; they do not secure the Infrastructure Revenue Bonds.

[2] Provided to the Underwriters and the Winning Bidder, as applicable. See the subsections "UNDERWRITING OF CERTAIN 2016C BONDS" and "SALE OF 2016C MORAL OBLIGATION BONDS BY COMPETITIVE BIDDING" each in Section Four.

SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS

Limited Obligations

The 2016C Bonds are limited obligations of VRA. The principal of, premium, if any, and interest on the 2016C Bonds do not constitute a debt of the Commonwealth or any of its political subdivisions other than VRA. Neither the Commonwealth nor any political subdivision thereof, including VRA, will be obligated to pay the principal of, premium, if any, or interest on the 2016C Bonds or other costs incident thereto except from the revenues, money or property of VRA pledged for such purposes. Neither the faith and credit nor the taxing power of the Commonwealth or any political

subdivision thereof is pledged to the payment of the principal of or premium, if any, or interest on the 2016C Bonds. VRA has no taxing power.

Infrastructure Revenue Bonds

Sources of Payment. The 2016C Infrastructure Revenue Bonds and the other Infrastructure Revenue Bonds are payable solely from (a) the debt service and rental payments on the Local Obligations, (b) amounts on deposit in certain funds and accounts created under the Indenture, including the Infrastructure Revenue Debt Service Fund and the Operating Reserve Fund, and (c) the earnings, if any, derived from the investment of such funds and accounts. VRA has pledged such amounts for such purpose. See information under the headings "Establishment of Trusts" and "Establishment of Funds and Accounts" in Appendix A.

Operating Reserve Fund. The Indenture establishes an Operating Reserve Fund as security for the Infrastructure Revenue Bonds. As of the date hereof, the market value of the Operating Reserve Fund was $7,760,000. No additional amounts are expected to be deposited in the Operating Reserve Fund in connection with the issuance of the 2016C Infrastructure Revenue Bonds. No Moral Obligation Bonds are, or will be, secured by the Operating Reserve Fund.

On each payment date, any amount on deposit in the Operating Reserve Fund will be transferred to the Infrastructure Revenue Debt Service Fund if and to the extent, after transfers from the Revenue Fund, amounts on deposit in the Infrastructure Revenue Debt Service Fund are insufficient to pay the principal and interest due on the Infrastructure Revenue Bonds on such date. There is no minimum balance for the Operating Reserve Fund; amounts drawn from the Operating Reserve Fund, if any, to pay debt service on the Infrastructure Revenue Bonds will be replenished from payments made by the Local Governments on their Local Obligations or from other funds available to VRA, but only to the extent required to meet the coverage tests set forth in the following paragraph.

Any amount on deposit in the Operating Reserve Fund (including accumulated investment earnings) which is not required to produce in the then-current and all future Bond Years (a) Revenue Coverage equal to the Required Revenue Coverage, (b) Infrastructure Revenue Bond Debt Service Coverage equal to the Required Infrastructure Revenue Bond Debt Service Coverage, and (c) Infrastructure Revenue Bond Revenue Coverage equal to the Required Infrastructure Revenue Bond Revenue Coverage may be transferred to VRA upon VRA's filing with the Trustee a Projected Revenue Certificate. See the definitions of such terms in Appendix A and information included under the headings "Operation of Revenue and Pledged Funds – Operating Reserve Fund" and "Thirty-Seventh Supplemental Series Indenture – Restrictions on Withdrawal from Operating Reserve Fund" in Appendix A.

Commencing in November 2016, VRA intends to file the Projected Revenue Certificate and take the other steps necessary for the Trustee to transfer to VRA the interest earned on the investments in the Operating Reserve Fund.

Moral Obligation Bonds

Sources of Payment. The 2016C Moral Obligation Bonds and the other Moral Obligation Bonds are payable solely from (a) the debt service and rental payments under the Local Obligations, (b) amounts on deposit in certain funds and accounts created under the Indenture, including the Moral Obligation Debt Service Fund and the Capital Reserve Fund and (c) the earnings, if any, derived from the investment of such funds and accounts. VRA has pledged such amounts for such purpose. See information under the headings "Establishment of Trusts" and "Establishment of Funds and Accounts" in Appendix A.

The Indenture provides that the pledge of the Revenues securing the 2016C Moral Obligation Bonds and the other Moral Obligation Bonds is in all respects junior and subordinate to the pledge of such Revenues securing the 2016C Infrastructure Revenue Bonds and the other Infrastructure Revenue Bonds.

Capital Reserve Fund. The Indenture establishes a Capital Reserve Fund as security for the Moral Obligation Bonds issued under the Indenture. The Indenture also establishes a minimum amount required to be maintained in the Capital Reserve Fund (the "CRF Reserve Requirement"). For so long as any of the 2016C Moral Obligation Bonds remains Outstanding, the CRF Reserve Requirement will be not less than an amount equal to the maximum Principal and Interest Requirements on the Moral Obligation Bonds Outstanding in the then-current or any future Bond Year. As of June 30, 2016, the market value of the Capital Reserve Fund was $79,079,929.88. On the date of delivery of the 2016C Bonds, the Capital Reserve Fund will contain an amount of not less than the CRF Reserve Requirement derived from deposits of certain proceeds of the 2016C Bonds and previous Series of Bonds issued by VRA under the Virginia Pooled Financing Program (the "Program"). No Infrastructure Revenue Bonds are, or will be, secured by the Capital Reserve Fund. See information included under the heading "Operation of Revenue Fund and Pledged Funds – Capital Reserve Fund" in Appendix A.

The amounts on deposit in the Capital Reserve Fund will be used solely to cure any deficiencies in the amount on deposit in the Moral Obligation Debt Service Fund to pay the principal of and interest on the Moral Obligation Bonds when due.

On the tenth day after each interest payment date and any other Reserve Determination Date, the Trustee is required to determine whether amounts on deposit in or credited to the Capital Reserve Fund are at least equal to the CRF Reserve Requirement.

The Act and the Indenture also provide that to maintain the Capital Reserve Fund at the CRF Reserve Requirement, the Chairman of VRA, on or before December 1 of each year, must deliver to the Governor of the Commonwealth (the "Governor") and the Secretary of Administration of the Commonwealth a certificate setting forth the amount, if any, required to restore the Capital Reserve Fund to the CRF Reserve Requirement. For this purpose, the Chairman will disregard any deficiency resulting solely from the valuation of investments in the Capital Reserve Fund (as opposed to a transfer therefrom to pay debt service on the Moral Obligation Bonds due to a default on a Local Obligation).

Within five days after the beginning of each session of the General Assembly, the Governor is required to submit to the presiding officer of each house of the General Assembly a budget including, as an agency request for informational purposes only, the amount required, if any, to restore the Capital Reserve Fund to the CRF Reserve Requirement. The General Assembly may, but is not legally obligated to, appropriate to VRA such amount. Any amounts so appropriated and paid shall be delivered by VRA to the Trustee for deposit in the Capital Reserve Fund. As of the date hereof, amounts on deposit in the Capital Reserve Fund have not fallen below the CRF Reserve Requirement and, therefore, the General Assembly has not heretofore been called upon to appropriate funds for replenishment of the Capital Reserve Fund. **Neither this nor any other provision of the Act or the Indenture creates a debt or liability or pledges the faith and credit of the Commonwealth to make any appropriation or payments to VRA for this or any other purpose.**

The General Assembly meets in each even numbered year to establish, among other things, a budget and make appropriations for the ensuing biennial period beginning on the first day of July of such year. The General Assembly also meets in each odd numbered year when amendments to the appropriations act enacted in the previous year and supplemental appropriations may be made.

Certain financial, economic and demographic information about the Commonwealth, including a discussion of certain economic outlook and revenue forecasts, has been incorporated in this Official Statement. See Appendices B, C and D.

Any interest earned from the investment of money in the Capital Reserve Fund will be transferred immediately upon receipt to the Revenue Fund or the Rebate Funds to the extent that such transfers will not cause the Capital Reserve Fund to contain less than the CRF Reserve Requirement. The Indenture provides that if the balance on deposit in the Capital Reserve Fund otherwise exceeds the CRF Reserve Requirement, the Trustee will transfer the surplus to the Revenue Fund or the Rebate Funds or otherwise as specified by VRA pursuant to the Indenture.

The Act provides that any subsequent amendment thereof shall not limit the rights vested in VRA with respect to any agreements made with, or remedies available to, the Owners until the principal of and interest on the 2016C Bonds are paid in full.

Investments in Capital Reserve Fund. The Thirty-Seventh Supplemental Series Indenture provides that, as long as any of the 2016C Moral Obligation Bonds remains Outstanding, each investment or the provider of each investment purchased with amounts in the Capital Reserve Fund must have a rating at least equal to the then-current rating assigned by each Rating Agency to the Moral Obligation Bonds Outstanding. The Capital Reserve Fund is currently invested primarily in United States Department of the Treasury (the "Treasury") obligations.

Reduction or Elimination of Moral Obligation to Fund CRF Reserve Requirement. The Indenture permits VRA, by resolution of its Board of Directors and without obtaining the consent of the Trustee or any Owners of the Bonds, to reduce or eliminate the Commonwealth's Moral Obligation Commitment to fund or replenish the Capital Reserve Fund. Such action requires VRA to satisfy the following two conditions: (a) the resolution must contain a finding by VRA's Board of Directors that such action is not reasonably expected to affect adversely VRA's ability to pay debt service on the Moral Obligation Bonds and (b) VRA must file with the Trustee written confirmation from each Rating Agency providing a rating on any Moral Obligation Bonds that such agency's then-current rating on the Moral Obligation Bonds will not be withdrawn or downgraded as a result of such action.

Debt Service Requirements for Bonds

VRA has required and will continue to require the Local Governments to establish the scheduled debt service or rental payment dates and amounts under their Local Obligations to provide for, when combined with the estimated investment earnings and the balances scheduled to be released from the Capital Reserve Fund, the full and timely payment of the principal of, and premium, if any, and interest on the 2016C Bonds, all other Bonds, and VRA's Administrative Charges when due. See the subsection "PROJECTED CASH FLOWS" in this Section Two.

Parity Status

Each Infrastructure Revenue Bond, including each 2016C Infrastructure Revenue Bond, is payable and secured as described in this subsection on a parity basis with all other Infrastructure Revenue Bonds. Each Moral Obligation Bond, including each 2016C Moral Obligation Bond, is also payable and secured as described in this subsection on a parity basis with all other Moral Obligation Bonds. This means, for example, that a default in the payment of a Local Obligation, even if the Local Obligation is not one of the 2016C Local Obligations, may result in a shortfall of Revenues available to pay the scheduled debt service payments on the 2016C Moral Obligation Bonds, as well as all of the other Moral Obligation Bonds then Outstanding. Additionally, in the event of defaults on multiple Local Obligations,

Revenues may not be sufficient to pay scheduled debt service on the 2016C Infrastructure Revenue Bonds, as well as the other Infrastructure Revenue Bonds then Outstanding. See the subsections "ADDITIONAL INDEBTEDNESS" and "PRIOR SERIES OF BONDS" in this Section Two.

Flow of Funds

The chart on the following page presents the flow of funds through the funds and accounts established under the Indenture.

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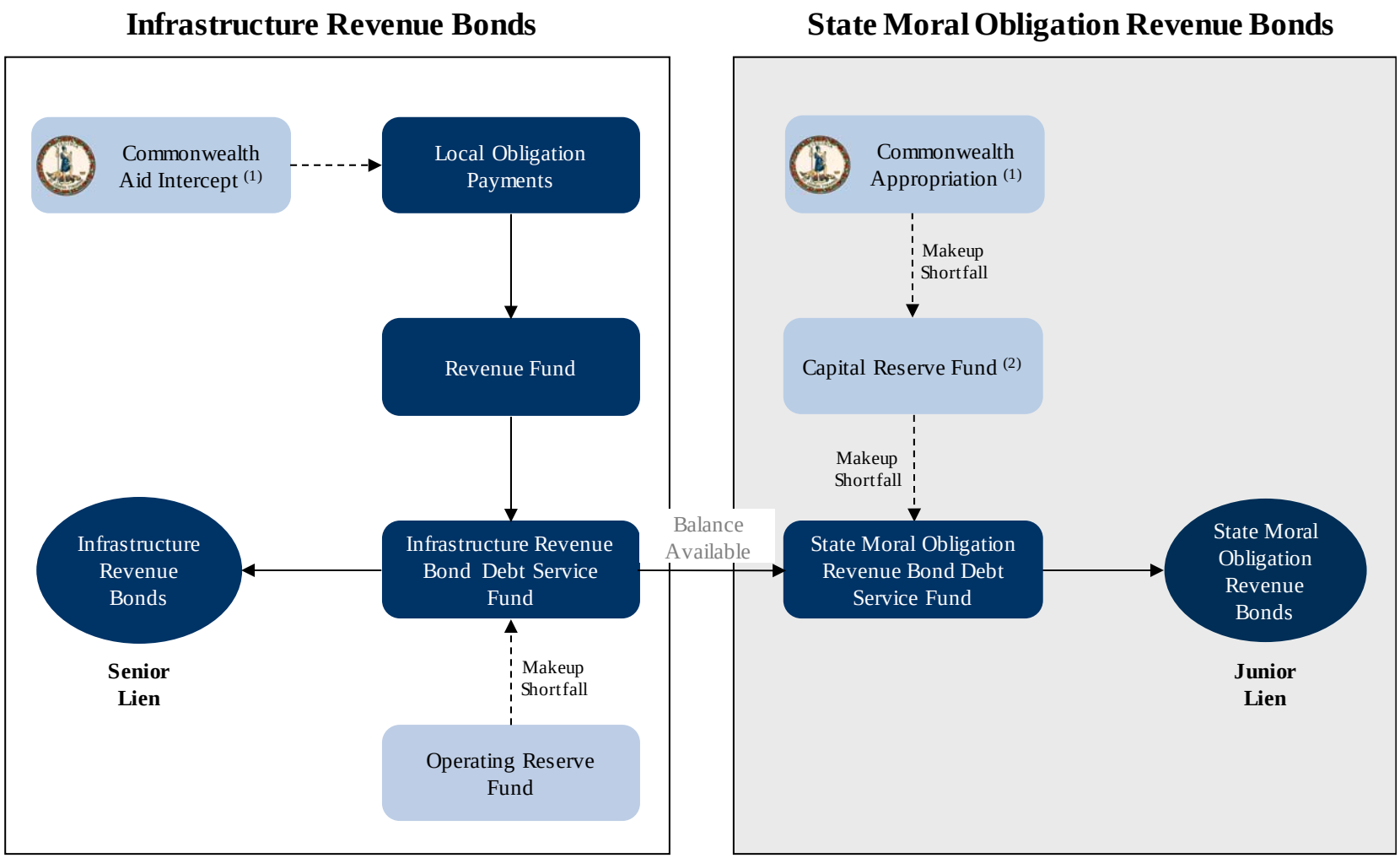
Flow of Funds



(1) Payable from the Commonwealth to VRA.
(2) Earnings on the Capital Reserve Fund Investments flow into the Revenue Fund.

ADDITIONAL INDEBTEDNESS

VRA may issue additional Series of Bonds (including either Infrastructure Revenue Bonds or Moral Obligation Bonds) under the Master Indenture subject to certain conditions and limitations set forth in the Master Indenture, including the provision of a Projected Revenue Certificate to the Trustee, which will, giving effect to the issuance of such Series of Bonds, show for each Bond Year (a) Revenue Coverage equal to at least the Required Revenue Coverage, (b) Infrastructure Revenue Bond Debt Service Coverage equal to at least the Required Infrastructure Revenue Bond Debt Service Coverage and (c) Infrastructure Revenue Bond Revenue Coverage equal to at least the Required Infrastructure Revenue Bond Revenue Coverage. The Projected Revenue Certificate will set forth the following:

(1) A schedule of estimated amounts of the following types of Revenues to be available in the then-current and each future Bond Year for the payment of the Principal and Interest Requirements of all of the Bonds and the Administration Charges: (i) scheduled Local Obligation Payments, except on Defaulted Local Obligations, (ii) income receivable from the investment of amounts from time to time held in the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded) and the Capital Reserve Fund, (iii) amounts scheduled to be released from the Infrastructure Revenue Debt Service Reserve Fund or the Capital Reserve Fund as a result of the payment at maturity or pursuant to the Amortization Requirements of the Bonds Outstanding and, if applicable, then to be issued, and (iv) any other amounts identified as Revenues in the Projected Revenue Certificate and in a Supplemental Indenture, if there is filed with the Trustee written confirmation from each Rating Agency that the inclusion thereof will not result in the withdrawal or reduction of its then-current rating on any of the Bonds Outstanding.

(2) A schedule of estimated amounts of the following sources to be available in the then-current and each future Bond Year for the payment of the Principal and Interest Requirements of the Infrastructure Revenue Bonds: (i) investment earnings on amounts in the Operating Reserve Fund, (ii) amounts, if any, which are or will be on deposit in the Operating Reserve Fund, and (iii) any other revenues or amounts identified in the Projected Revenue Certificate and in a Supplemental Indenture as Infrastructure Revenue Bond Revenues or Fund balances available for the payment of the Principal and Interest Requirements of the Infrastructure Revenue Bonds, if there is filed with the Trustee written confirmation from each Rating Agency that the inclusion thereof will not result in the withdrawal or reduction of its then-current rating on any of the Infrastructure Revenue Bonds Outstanding.

(3) A schedule of the Principal and Interest Requirements and all Administrative Charges scheduled to become due and payable on each Payment Date in the then-current and each future Bond Year with respect to all Bonds Outstanding and, if applicable, then to be issued.

(4) A schedule of the Principal and Interest Requirements scheduled to become due and payable on each Payment Date in the then-current and each future Bond Year with respect to all Infrastructure Revenue Bonds Outstanding and, if applicable, then to be issued.

(5) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in paragraphs (1) and (2)(i) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements and Administrative Charges set forth in paragraph (3) for the same Bond Year ("Revenue Coverage").

(6) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in paragraphs (1) and (2)(i) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements set forth in paragraph (4) for the same Bond Year ("Infrastructure Revenue Bond Revenue Coverage").

(7) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in paragraphs (1) and (2)(i) and (iii) and the Fund balances set forth in paragraph (2)(ii) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements set forth in paragraph (4) for the same Bond Year ("Infrastructure Revenue Bond Debt Service Coverage").

In projecting the foregoing, VRA will make the following assumptions: (a) Revenues set forth in paragraph (1) that are scheduled to be retained in the Revenue Fund pursuant to the Indenture will be reflected as Revenues only with respect to the Payment Dates on which the Trustee is to be directed to apply such retained amounts, (b) invested funds will yield an investment return equal to the actual return on such investments at the time of the projection net of any Rebate Amounts to be paid therefrom and will be invested until such time as they are to be applied to the purpose for which they are accumulated; (c) no Local Obligations will be acquired by VRA after the date of the Projected Revenue Certificate; and (d) Administrative Charges will be collected for the remaining term of each Local Obligation at the rate or rates in effect at the time of the calculation.

So long as any 2016C Bonds remain Outstanding, Required Infrastructure Revenue Bond Revenue Coverage means 120% for purposes of any Projected Revenue Certificate delivered in connection with the issuance of additional Infrastructure Revenue Bonds. Both Required Revenue Coverage and Required Infrastructure Revenue Bond Debt Service Coverage mean 100%.

See information included under the heading "Issuance of Bonds" in Appendix A for more information regarding the conditions for issuing additional Bonds.

VRA typically issues bonds in the spring and fall of each calendar year, and, depending on demand from local governments, in the summer. VRA currently anticipates issuing additional Series of Bonds under the Master Indenture in May of 2017.

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PRIOR SERIES OF BONDS

Of the prior Series of Bonds, $1,655,565,000 principal amount of the Infrastructure Revenue Bonds and $802,355,000 principal amount of the Moral Obligation Bonds were outstanding as of September 30, 2016. These amounts do not account for the issuance of the 2016C Bonds or the defeasance of any bonds refunded by the 2016C Bonds. The prior Series of Bonds were issued on the dates and in the original principal amounts as set forth in the following chart:

Issue Date	Original Principal Amount of Infrastructure Revenue Bonds Issued[1]	Original Principal Amount of Moral Obligation Bonds Issued[2]
December 4, 2003[3]	$ 65,655,000	$ 37,590,000
June 30, 2004[3]	60,630,000	33,875,000
November 17, 2004	39,265,000	18,705,000
March 2, 2005[3]	18,115,000	8,190,000
June 8, 2005	22,055,000	9,485,000
December 7, 2005	42,755,000	18,960,000
June 8, 2006	61,550,000	31,160,000
August 31, 2006	17,270,000	8,005,000
December 14, 2006	45,935,000	22,860,000
June 7, 2007	29,790,000	14,465,000
December 13, 2007	46,000,000	21,655,000
June 19, 2008	48,890,000	22,450,000
December 10, 2008	147,495,000	67,945,000
June 17, 2009	170,205,000	83,665,000
November 19, 2009	127,355,000	58,975,000
June 16, 2010	50,470,000	23,170,000
August 18, 2010	28,320,000	12,910,000
November 23, 2010	114,375,000	52,315,000
June 2, 2011	57,250,000	24,265,000
November 16, 2011	157,410,000	68,570,000
June 13, 2012	237,110,000	107,100,000
August 2, 2012	54,080,000	24,975,000
December 6, 2012	36,930,000	16,840,000
June 5, 2013	92,810,000	42,135,000
August 14, 2013	46,410,000	20,080,000
November 20, 2013	17,150,000	7,950,000
May 21, 2014	66,290,000	29,870,000
August 13, 2014	92,405,000	42,085,000
November 19, 2014	107,635,000	47,600,000
December 17, 2014	27,465,000	12,835,000
May 28, 2015	94,885,000	40,450,000
August 19, 2015	48,560,000	21,510,000
October 14, 2015	21,910,000	9,850,000
November 18, 2015	112,235,000	54,745,000
May 25, 2016	89,580,000	47,040,000
August 10, 2016	34,975,000	17,560,000
TOTAL	$2,531,220,000[4]	$1,181,840,000[4]

[1] Prior Series of Bonds issued on or before June 17, 2009 were issued with the designation "Senior Series."
[2] Prior Series of Bonds issued on or before June 17, 2009 were issued with the designation "Subordinate Series."
[3] The Bonds of this Series have matured or been redeemed prior to maturity and are no longer Outstanding under the Master Indenture.
[4] As of September 30, 2016, $1,655,565,000 principal amount of the Infrastructure Revenue Bonds and $802,355,000 principal amount of the Moral Obligation Bonds were outstanding. These amounts do not account for the issuance of the 2016C Bonds or the defeasance of any bonds refunded by the 2016C Bonds.

SECURITY FOR THE LOCAL OBLIGATIONS

General

VRA's ability to make full and timely payments of the debt service on the 2016C Bonds is dependent in part on Local Governments making full and timely payments on their respective Local Obligations. It is possible that one or more Local Governments will be unable to make a full or timely payment on their Local Obligations. The Bonds Outstanding, including the 2016C Bonds, have been structured so as to minimize the risk that a default or event of non-appropriation by one or more Local Governments on their Local Obligations will cause a default on the Bonds. Payment of debt service on each Local Obligation will be due at least 30 days prior to the corresponding payment dates of the Bonds.

Under the Indenture, VRA has pledged all of its right, title and interest in and to the Local Obligations (except for the remedies related to the Commonwealth Aid Intercept Provision discussed below) and the payments thereunder to the Trustee for the benefit of the owners from time to time of the Bonds, provided that VRA has reserved the right and license to enjoy and enforce VRA's rights under the Local Obligations so long as no Event of Default with respect to the Bonds shall have occurred and be continuing. Set forth below are descriptions of certain matters relating to the security for the payment of the Local Obligations. As described above, the Local Obligations consist of Local Bonds and Financing Leases.

The Local Governments providing the Local Obligations are expected to consist mainly of Virginia counties, cities and towns with a wide range of governmental powers (individually, each a "Locality" and collectively, "Localities") and regional authorities, service authorities, sanitation districts and sanitary districts and similar entities in the Commonwealth that have been granted limited powers to provide certain services, such as water, wastewater, solid waste disposal, public safety or transportation services (collectively, "Limited Purpose Local Governments" and together with Localities, constituting "Local Governments").

The security and sources of payment for each Local Obligation constituting a Local Bond will vary and may consist of (a) a pledge of the full faith and credit of the Local Government to secure the Local Bond (a "General Obligation Local Bond"), (b) a pledge of certain revenues of a revenue-producing undertaking of the Local Government and funds and accounts established under the applicable bond resolution or indenture under and pursuant to which the Local Bond is issued (a "Revenue Local Bond"), which pledge may be on a parity with or subordinate to the pledge of such revenues applicable to other bonds of such Local Government, (c) a combination of (a) and (b) (a "Double-Barrel Local Bond"), or (d) a pledge of amounts annually appropriated at the discretion of the governing body of the Local Government and deposited into a special fund established by the Local Government (a "Special Fund Local Bond").

In certain cases, VRA may require that a Revenue Local Bond be additionally secured and credit enhanced by a subject-to-appropriation, "moral obligation" support agreement provided by a Locality (a "Local Support Agreement") as described in the heading "Local Bonds" below. In some instances, the Local Support Agreement may be issued by the same Locality issuing the Revenue Local Bond; in other instances the Local Support Agreement may be issued by one or more Localities that are member jurisdictions of a Limited Purpose Local Government. Under no circumstances will a Local Support Agreement constitute a debt of a Locality or a pledge of the faith and credit or taxing power of a Locality.

The security and sources of payment for each Local Obligation constituting a Financing Lease will be subject to annual appropriation by the governing body of the Local Government, which will be under no legal obligation to make such appropriation. Under no circumstances will a Financing Lease

constitute a debt of a Local Government or a pledge of the faith and credit or taxing power of a Local Government.

Local Bonds

Each Local Obligation constituting a Local Bond will evidence the obligation of the Local Government issuing such bond to repay the principal amount thereof, together with interest on the unpaid principal amount. Local Bonds may be issued and secured as General Obligation Local Bonds, Revenue Local Bonds, Double-Barrel Local Bonds or Special Fund Local Bonds, and VRA will purchase each Local Bond pursuant to an agreement with the respective Local Government (individually, each an "Agreement" and collectively, the "Agreements").

General Obligation Local Bond. Only Localities may issue General Obligation Local Bonds. Limited Purpose Local Governments may not issue General Obligation Local Bonds. A Locality issuing a General Obligation Local Bond will pledge its full faith and credit to secure the payment of the principal of, premium, if any, and interest on such Local Bond. The Locality will agree to levy an annual tax upon all property subject to local taxation sufficient to pay the principal of, premium, if any, and interest on its General Obligation Local Bond to the extent other funds of such Locality are not lawfully available and appropriated for such purpose.

Revenue Local Bond. A Local Government issuing a Revenue Local Bond pledges the revenues from the ownership or operation or lease of one or more of its water supply, wastewater collection and/or treatment, solid waste disposal, public safety, transportation or other revenue producing facilities, as the case may be (each a "System"), and, to the extent necessary, other appropriated funds to the payment of principal of, premium, if any, and interest on its Revenue Local Bond and its payment obligations under the Agreement, subject to the Local Government's right to apply revenues to the payment of certain operating, maintenance and replacement expenses and, in some cases, senior and parity indebtedness.

As shown in the subsection "THE 2016C LOCAL GOVERNMENTS AND THE OTHER PARTICIPATING LOCAL GOVERNMENTS" in Section Three, VRA has required certain Local Governments to obtain or provide additional security and credit enhancement for their Revenue Local Bonds in the form of subject-to-appropriation or "moral obligation" Local Support Agreements. The affected Local Governments are denoted by the term "MO" in the "Type of Security" columns.

Local Support Agreements include agreements to consider appropriations to replenish a debt service reserve fund securing a Revenue Local Bond or to provide working capital to a Local Government to pay operating costs and the debt service on its Revenue Local Bond. All Local Support Agreements contain or constitute a non-binding, legally unenforceable pledge by the governing body of a Locality to consider making the requested appropriations from the lawfully available funds of the Locality to support a Revenue Local Bond (issued by that Locality or a Limited Purpose Local Government) or the operations of a Local Government issuing a Revenue Local Bond. The constitutionality of "moral obligation" or "subject to appropriation" support agreements, such as Local Support Agreements, was upheld by the Virginia Supreme Court in *Dykes v. Northern Virginia Transp. Dist. Com'n.*, 411 S.E. 2d 1, 242 Va. 357 (Va. 1991) ("*Dykes*"). Under no circumstances will a Local Support Agreement constitute a debt of the applicable Locality or a pledge of the faith and credit or taxing power of such Locality. See the heading "Local Support Agreements and Special Fund Local Bonds" in the subsection "INVESTMENT CONSIDERATIONS" in this Section Two. For the applicability of the Commonwealth Aid Intercept Provision to Local Support Agreements, see the heading "Commonwealth Aid Intercept Provision" in this subsection.

Double-Barrel Local Bond. Certain Localities may pledge both the revenues of their Systems and their full faith and credit to secure their Double-Barrel Local Bonds. Limited Purpose Local Governments are not empowered to issue Double-Barrel Local Bonds.

Special Fund Local Bond. Under VRA policies, only Localities with long-term credit ratings in the highest categories of the Rating Agencies are eligible to issue Special Fund Local Bonds to VRA. A Special Fund Local Bond is payable solely from amounts deposited into a special fund established by the Locality, which amounts will be pledged to secure the Special Fund Local Bond. The obligation of the Locality to deposit amounts into the special fund will be subject to annual appropriation by the governing body of the Locality, and the governing body will be under no legal obligation to make such appropriation. Under no circumstances will a Special Fund Local Bond constitute a debt of the applicable Locality or a pledge of the faith and credit or taxing power of such Locality. See the heading "Local Support Agreements and Special Fund Local Bonds" in the subsection "INVESTMENT CONSIDERATIONS" in this Section Two. For the applicability of the Commonwealth Aid Intercept Provision to Local Bonds, including Special Fund Local Bonds, see the heading "Commonwealth Aid Intercept Provision" in this subsection.

Terms of the Agreements. Pursuant to the Agreements, VRA will agree to purchase the Local Bonds and each Local Government will agree to pay amounts due on its Local Bond to the Trustee, as assignee of VRA, including any amounts required to replenish amounts withdrawn from and foregone investment earnings on the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded), the Operating Reserve Fund and the Capital Reserve Fund, as applicable, due to a failure by the Local Government to make a payment due under its Local Bond. The Agreements will contain, among other things, certain covenants relating to the preservation of the tax status of the corresponding Series of Bonds and the provision of annual audited financial statements of the Local Governments.

Local Governments issuing Revenue Local Bonds will covenant under their Agreements to charge rates or fees for the use of and the services provided by the financed System sufficient at all times to produce net revenues to pay debt service on all bonds payable therefrom, including the Local Bonds. Such Local Governments may also be required to establish reserve accounts in connection with their Local Bonds.

Localities issuing General Obligation Local Bonds and Double-Barrel Local Bonds will covenant that ad valorem taxes will be levied upon all property subject to taxation in amounts sufficient to pay debt service on their Local Bonds. Such Localities will agree to fulfill certain other payment obligations under the Agreements (such as payments for annual fees and expenses of the Trustee, rebate and certain costs and expenses incurred by VRA in connection with an event of default, any amendment or other discretionary action undertaken at the request of the Localities) only from legally available and appropriated funds.

Each Agreement will require that the Local Government apply the proceeds from the sale of its Local Bond to finance or refinance the costs of its Qualified Project. In the case of a new construction financing, VRA will cause the Trustee to disburse money from the Acquisition Fund from time to time to or for the account of the Local Government upon the receipt of a written requisition in the form prescribed by the Agreement.

Each Local Government issuing a Revenue Local Bond, a Double-Barrel Local Bond or a Special Fund Local Bond will agree to maintain its Qualified Project, to procure insurance with respect thereto and to collect revenues or lease payments therefrom, where applicable.

Except as otherwise agreed by VRA or provided in the Agreement, the bond resolution or indenture of a Local Government issuing a Revenue Local Bond or a Double-Barrel Local Bond, such Local Government will agree not to incur any indebtedness or issue any bonds, notices or other evidences of indebtedness secured by a pledge of project or System revenues, except subordinate bonds and parity bonds and those only within certain limitations.

Each Agreement will provide that if (a) a Local Government fails to pay when due any amount required to be paid under its Local Bond or the Agreement, (b) a Local Government fails to perform or observe the covenants, agreements or conditions of the Agreement (after receipt of notice of such failure from VRA and continuation of such failure for 60 days after receipt of such notice), (c) any of the Local Government's warranties, representations or other statements contained in the Agreement or any instrument furnished in connection with the issuance and sale of its Local Bond is false or misleading or (d) there shall occur certain events of insolvency or events affecting creditor's rights, then such events will constitute events of default under the Agreement; provided that a failure of the governing body of a Locality issuing a Special Fund Local Bond to appropriate amounts necessary to pay the debt service on such Local Bond will not constitute an event of default.

Upon the occurrence of an event of default under an Agreement, VRA has the contractual right to take any action permitted by the Agreement or the bond resolution or indenture of the Local Government or to take any other legal or equitable action, including the appointment of a receiver, necessary or desirable to collect any amounts due and to enforce any duty, covenant or agreement of the Local Government.

Financing Leases

Certain Local Governments enter into Financing Leases with VRA (each a "Financing Lease Local Government") to lease one or more Qualified Projects from VRA. In certain instances, such as joint ownership of a Qualified Project in which a Local Government is unable to lease its interest, VRA may accept substitute real property as security under the Financing Lease. The term of the Financing Lease commences on the date of issuance and delivery of the related Series of Bonds and terminates upon payment of all rentals owed by the Financing Lease Local Government under the Financing Lease. The lease arrangement may involve an original prime lease of the Qualified Project or substitute real property from such Local Government to VRA and the leaseback of such property to such Local Government pursuant to the Financing Lease.

Each Financing Lease will contain, among other things, certain covenants relating to the preservation of the tax status of the corresponding Series of Bonds and the provision of annual audited financial statements of the Financing Lease Local Government.

Each Financing Lease will require that the Financing Lease Local Government apply the proceeds of the Financing Lease to finance or refinance the costs of the Qualified Project.

The Financing Lease Local Government will agree to maintain or cause to be maintained the Qualified Project or substitute real property and to procure insurance with respect thereto.

Each Financing Lease will provide that no part of the Qualified Project or substitute real property shall be sold, exchanged, leased, subleased, mortgaged, encumbered or otherwise disposed of except with the written consent of VRA.

In a Financing Lease, the rental payments are structured in amounts expected to be sufficient to pay the Financing Lease Local Government's proportionate share of debt service payments on the related

Series of Bonds. The Financing Lease also provides for additional rental payments for items including deficiencies in the Operating Reserve Fund or the Capital Reserve Fund, as applicable, caused by a payment default, rebate amounts, late payment penalties, and certain Trustee fees and costs and expenses of VRA.

Pursuant to a Financing Lease, the Financing Lease Local Government will direct the officer charged with the responsibility of preparing such Local Government's budget to include in the budget for each fiscal year during the term of the Financing Lease a request that the governing body of such Local Government appropriate in the fiscal year all rental payments and other payments due under the Financing Lease during such fiscal year.

The undertaking of the Financing Lease Local Government to make payments under the Financing Lease is limited to amounts lawfully available and appropriated by the governing body thereof for such purpose. Under no circumstances will the payments under a Financing Lease constitute a debt of the applicable Locality within the meaning of any constitutional or statutory limitation or a pledge of the faith or credit or the taxing power of such Locality. Such Locality will not be liable for any such payments under the Financing Lease unless and until funds have been appropriated by its governing body for payment and then only to the extent of such appropriations.

If the governing body of the Financing Lease Local Government fails to appropriate funds for amounts due under the Financing Lease or such Local Government cannot observe and perform any covenant or agreement as a result of such non-appropriation, VRA or the Trustee on behalf of VRA, may then exclude such Local Government from possession of its Qualified Project or substitute real property (subject to certain public policy concerns and legal restrictions discussed below), with or without terminating the Financing Lease, and re-let all or any portion of the Qualified Project or substitute real property, applying the proceeds in accordance with the Indenture. The Financing Lease Local Government may reinstate the Financing Lease upon satisfaction of certain conditions. In most lease arrangements, VRA holds only a leasehold interest in the Qualified Project or substitute real property and thus, in exercising its rights upon an event of default or an event of non-appropriation by the Financing Lease Local Government, VRA may not sell the Qualified Project or substitute real property but may only re-let its interests in the Qualified Project or substitute real property to a third party. In addition, the ability of VRA to exclude a Financing Lease Local Government from possession of a Qualified Project or substitute real property may be limited by certain imposed public policy concerns or legal restrictions and may require judicial action, which is often subject to discretion and delay. For example, in the case of Qualified Projects for public roads, such concerns and restrictions relate to the rights of the Virginia Department of Transportation, adjacent landowners and the traveling public and, in the case of Qualified Projects or substitute real property for courthouses and other public safety facilities, such concerns and restrictions relate to the power of judges to control their courthouses and statutory requirements to provide adequate facilities for courts, Commonwealth's Attorneys and other constitutional officers. The foregoing factors may limit VRA's ability to re-let the Qualified Project or substitute real property upon an event of default or non-appropriation by the respective Financing Lease Local Government or to re-let the Qualified Project or substitute real property on terms as favorable as those in the Financing Lease.

Commonwealth Aid Intercept Provision

Historically, the Local Obligations of Localities (but not those of Limited Purpose Local Governments) have been further secured by the "Commonwealth Aid Intercept Provision" under Section 62.1-216.1 of the Act.

The 2011 Virginia General Assembly enacted SB1309 to amend Section 62.1-216.1. The amendments, which became effective July 1, 2011, extend the Commonwealth Aid Intercept Provision to

encompass all Local Bonds, Local Support Agreements and Financing Leases, regardless of the security therefor.

Section 62.1-216.1 provides that, among other things, if it is established to the satisfaction of the Governor after submission of an affidavit by VRA and a summary investigation by the Governor of the facts set forth in the affidavit that a Locality has failed to make a payment on its Local Obligation or Local Support Agreement, then the Governor shall (a) issue an order directing the Comptroller of the Commonwealth to withhold all further payments to such Locality of all or any portion of the funds appropriated and payable by the Commonwealth to such Locality for any and all purposes until such nonpayment is cured, and (b) while such nonpayment continues, direct the payment of all funds so withheld, or so much of them as shall be necessary, to VRA so as to cover, or cover insofar as possible, the nonpayment on such Local Obligation or Local Support Agreement.

In addition, General Obligation Local Bonds and Double-Barrel Local Bonds are secured under Section 15.2-2659 of the Public Finance Act (the "General Obligation Intercept Provision"). The General Obligation Intercept Provision is similar in operation and effect to the Commonwealth Aid Intercept Provision but applies only as a remedy for a default in the payment of principal of, premium, if any, or interest on general obligation bonds. The General Obligation Intercept Provision covers all of the general obligation bonds issued by a Locality and not only those acquired by VRA.

Under either intercept provision, neither the Comptroller nor the Commonwealth has any legal obligation to make any payment on behalf of the nonpaying Locality other than from the funds appropriated and payable to the nonpaying Locality. Commonwealth aid that is payable to Localities and that is subject to interception is derived primarily from the Commonwealth's General Fund, with the remaining aid being payable from the Highway Maintenance and Construction Fund of the Virginia Department of Transportation and certain other funds. The primary sources of revenue for the Commonwealth's General Fund are individual and corporate income tax revenues, sales and use tax revenues, other tax revenues, interest, dividends and rents.

Neither the Virginia Supreme Court nor the Attorney General of Virginia has reviewed the validity of the Commonwealth Aid Intercept Provision, and there can be no assurance that such provision would be upheld if challenged. Further, the General Obligation Intercept Provision as embodied in either Section 15.2-2659 or its predecessor provisions (Sections 15.1-225 and 15.1-227.61) has not been reviewed by the Virginia Supreme Court. However, in 1973 the Attorney General of Virginia opined that funds appropriated and payable by the Commonwealth to local governments for any and all purposes may be withheld pursuant to the General Obligation Intercept Provision (set forth in Section 15.1-225 at that time) as a remedy for payment defaults under general obligation bonds.

To date, no order has been issued to withhold funds pursuant to either the Commonwealth Aid Intercept Provision or the General Obligation Intercept Provision. The General Obligation Intercept Provision has been successfully tested in a hypothetical default of a Locality with respect to bonds issued to the Virginia Public School Authority. Based on the results of that test, it is expected that the intercepted funds would be available within 30 days of the date of nonpayment. There can be no assurance that the benefits of the provisions available to VRA could be realized in the event of a nonpayment by a Local Government.

VRA is not the only entity with the power to enforce an intercept provision. The Board of Trustees of the Virginia Retirement System, under Section 51.1-146, has the discretion to cause the deduction "from any nonearmarked moneys distributable to a local government by any department or agency of the Commonwealth" of amounts equal to any delinquent contributions or insurance premiums owed by the local government to the Virginia Retirement System. There can be no assurance that the

benefits of the provisions available to VRA will not be diminished by other intercept provisions or by other parties enforcing the General Obligation Intercept Provision.

The amount of aid appropriated by the Commonwealth to a Local Government varies from year to year and may not in a particular year equal or exceed all of the defaulted payment obligations of the Locality subject to the Commonwealth Aid Intercept Provision, the General Obligation Intercept Provision and any other similar intercept provisions. No guidance exists for determining the priority of the various intercept provisions in the event the amount of appropriated aid is insufficient to cover all of the applicable defaulted payment obligations.

VRA has covenanted in the Master Indenture to take any and all actions available to it under the laws of the Commonwealth (including the Commonwealth Aid Intercept Provision) to obtain Local Obligation Payments if a Local Government fails to make such payments when the same become due and payable. The Trustee, on behalf of the Bondholders, may request that VRA take such actions, but the Trustee has not been assigned the right to exercise unilaterally without the cooperation of VRA the remedies granted to VRA under the Commonwealth Aid Intercept Provision. The General Assembly has the right to modify the Commonwealth Aid Intercept Provision in the future, which modifications may adversely affect the rights of VRA under such Provision. VRA is not aware of any proposal to make any such modification and as of the date hereof does not expect any to be enacted.

VRA LICENSE

All of the property pledged to the Trustee will be held in trust by the Trustee for the equal and proportionate benefit of the Owners from time to time of the 2016C Bonds and all other Bonds Outstanding under the Indenture. However, VRA has reserved the right and license to enjoy and enforce its rights with respect to the Local Obligations so long as no Event of Default with respect to the Bonds has occurred. This means, among other things, that, so long as no Event of Default has occurred, VRA may agree to amend the Local Obligations and related Agreements without the consent of the Trustee or the Owners of the Bonds. However, if an Event of Default with respect to the Bonds shall have occurred and be continuing, the Trustee will instead have such rights.

PROJECTED CASH FLOWS

The following projected cash flow schedule illustrates on an annual basis the projected amounts of Revenues and the debt service requirements on the 2016C Bonds and the other Bonds Outstanding on the date of delivery of the 2016C Bonds and the scheduled Administrative Charges. All of the projections of Revenues are estimates, and are based upon the timely payment of amounts due under all of the Local Obligations and the investments held in the Capital Reserve Fund.

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Projected Cash Flow for the Virginia Pooled Financing Program[1]

Date	Total Annual Receipts[2]	Infrastructure Bond Debt Service[4]	Infrastructure Bond Debt Service Coverage	Annual Remaining Receipts	Anticipated CRF Investment Receipts[3]	Moral Obligation Bond Debt Service Plus Admin Fee[4]	Moral Obligation Debt Service Coverage
Total	$3,599,835,287	$2,508,337,550		$1,091,497,737	$121,722,326	$1,213,220,063	
11/1/2017	$231,161,214	$156,550,888	**1.48x**	$74,610,326	$13,307,263	$87,917,589	**1.00x**
11/1/2018	218,296,016	152,664,102	**1.43x**	65,631,913	3,326,360	68,958,274	**1.00x**
11/1/2019	214,578,868	149,864,948	**1.43x**	64,713,920	3,596,360	68,310,280	**1.00x**
11/1/2020	211,272,995	147,511,582	**1.43x**	63,761,413	4,733,710	68,495,123	**1.00x**
11/1/2021	207,025,466	144,793,594	**1.43x**	62,231,872	3,157,810	65,389,682	**1.00x**
11/1/2022	200,535,228	140,283,416	**1.43x**	60,251,812	4,428,810	64,680,622	**1.00x**
11/1/2023	194,303,036	135,791,536	**1.43x**	58,511,500	2,444,060	60,955,560	**1.00x**
11/1/2024	192,195,701	134,364,716	**1.43x**	57,830,985	3,014,060	60,845,045	**1.00x**
11/1/2025	188,090,044	131,562,420	**1.43x**	56,527,623	4,681,260	61,208,884	**1.00x**
11/1/2026	179,823,331	125,878,760	**1.43x**	53,944,571	3,492,528	57,437,099	**1.00x**
11/1/2027	171,537,832	119,912,712	**1.43x**	51,625,120	4,250,133	55,875,253	**1.00x**
11/1/2028	163,799,928	114,413,124	**1.43x**	49,386,804	7,678,595	57,065,399	**1.00x**
11/1/2029	146,989,737	102,461,564	**1.43x**	44,528,173	3,316,608	47,844,781	**1.00x**
11/1/2030	138,730,970	96,692,574	**1.43x**	42,038,396	5,538,014	47,576,410	**1.00x**
11/1/2031	131,960,821	91,913,334	**1.44x**	40,047,487	3,612,914	43,660,401	**1.00x**
11/1/2032	124,823,180	87,015,908	**1.43x**	37,807,272	3,203,925	41,011,197	**1.00x**
11/1/2033	116,937,908	81,664,743	**1.43x**	35,273,164	4,846,244	40,119,408	**1.00x**
11/1/2034	102,120,808	71,161,161	**1.44x**	30,959,647	8,300,702	39,260,349	**1.00x**
11/1/2035	78,467,207	54,599,691	**1.44x**	23,867,516	4,833,440	28,700,956	**1.00x**
11/1/2036	67,849,366	47,218,519	**1.44x**	20,630,847	2,327,652	22,958,499	**1.00x**
11/1/2037	63,297,531	44,110,995	**1.43x**	19,186,536	2,547,258	21,733,794	**1.00x**
11/1/2038	63,749,995	44,376,184	**1.44x**	19,373,811	4,964,808	24,338,619	**1.00x**
11/1/2039	50,300,151	34,884,664	**1.44x**	15,415,487	1,181,140	16,596,626	**1.00x**
11/1/2040	49,477,035	34,367,183	**1.44x**	15,109,852	6,995,640	22,105,491	**1.00x**
11/1/2041	29,902,526	20,854,636	**1.43x**	9,047,890	2,467,250	11,515,140	**1.00x**
11/1/2042	23,428,813	16,295,331	**1.44x**	7,133,481	3,293,806	10,427,288	**1.00x**
11/1/2043	13,985,950	9,678,688	**1.45x**	4,307,263	797,850	5,105,113	**1.00x**
11/1/2044	12,649,925	8,768,131	**1.44x**	3,881,794	644,663	4,526,456	**1.00x**
11/1/2045	11,118,494	7,697,294	**1.44x**	3,421,200	2,405,863	5,827,063	**1.00x**
11/1/2046	1,425,213	985,150	**1.45x**	440,063	2,333,600	2,773,663	**1.00x**

1. Totals may not add, due to rounding.
2. Projection assumes full amount of debt service is paid by all Local Governments on their related Local Bonds and Financing Leases. A number of factors may influence VRA's actual receipts. See the following subsection, "INVESTMENT CONSIDERATIONS."
3. Assumes the timely receipt of all payments of principal and interest on investments held in the Capital Reserve Fund.
4. These amounts include the debt service for the 2016C Bonds and exclude the debt service for any bonds refunded by the 2016C Bonds.

INVESTMENT CONSIDERATIONS

Prospective purchasers of the 2016C Bonds should be aware that investment in the 2016C Bonds entails some degree of risk and uncertainty. Each prospective investor in the 2016C Bonds should read this Official Statement in its entirety. Particular attention should be given to the factors described below which, among others, could affect the payment of the debt service on the 2016C Bonds and which could also affect the market price of the 2016C Bonds to an extent that cannot be determined. This discussion of investment considerations is not, and is not intended to be, exhaustive.

Limited Obligations of VRA

The 2016C Bonds and all other Bonds heretofore or hereafter issued under the Indenture are limited obligations of VRA payable only from the Revenues and funds and accounts specifically pledged thereto. VRA has no taxing power. Accordingly, investors should consider only the sources of payment and security described under the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS" in this Section Two.

Contractual Remedies of VRA Upon Default of Local Bonds

The ability of the Local Governments to make full and timely payments of debt service due on their respective Local Bonds will depend on various economic and financial circumstances. Although VRA does not expect any material nonpayments of debt service due on any Local Bonds, there can be no assurance that this will not occur in the future.

Upon the occurrence of a nonpayment on a Local Bond or any other event of default under any Agreement, VRA has the contractual right to take any action permitted by the Agreement or the bond resolution of each Local Government or to take any other legal or equitable action, including the appointment of a receiver, necessary or desirable to collect any amounts due and to enforce any duty, covenant or agreement of the Local Government (including, for example with respect to a Revenue Local Bond, the covenant to set rates, fees and charges sufficient to pay debt service). Notwithstanding VRA's contractual remedies, there can be no assurance that the remedies will be effective or produce amounts sufficient to pay debt service on the Local Bonds. All remedies are subject to bankruptcy, insolvency and other similar state and federal laws. However, under present law, Virginia Local Governments are not authorized to file for bankruptcy protection. See the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in this Section Two.

To date, there have been no nonpayments on any Local Bonds that have required VRA to make any transfers from any reserve fund or intercept any Commonwealth aid or have caused any payment default on bonds of VRA.

Credit Concerns Regarding Particular Local Governments

Pursuant to its post-issuance credit compliance procedures, VRA is particularly monitoring two Local Governments with outstanding Local Bonds in the Program--the City of Petersburg, Virginia ("Petersburg") and the BVU Authority ("BVUA"). Neither Petersburg nor BVUA is a Material Local Government as described in the subsection "CONTINUING DISCLOSURE UNDER RULE 15c2-12" in Section Four.

Petersburg has four outstanding Local Bonds in the Program, three General Obligation Local Bonds and one water and sewer Revenue Local Bond (collectively, the "Petersburg Local Bonds"). As described in the subsection "THE 2016C LOCAL GOVERNMENTS AND THE OTHER

PARTICIPATING LOCAL GOVERNMENTS" in Section Three, the outstanding amount of the Petersburg Local Bonds is $24,830,000, which constitutes 1.04% of the outstanding aggregate principal amount of all outstanding Local Obligations in the Program as of the date hereof. To date, there have been no missed or late payments of the principal of or interest on any of the Petersburg Local Bonds. However, according to recent news reports, Petersburg faces a significant budget deficit for FY17, has had utility billing problems and is behind in payments to the Virginia Retirement System. In addition, Petersburg's City Manager, City Attorney and Director of Finance recently departed. At Petersburg's request, the Commonwealth has provided administrative support to Petersburg as Petersburg transitions to a new management team. On October 20, 2016, the Petersburg City Council voted to retain The Robert Bobb Group LLC to provide turnaround consulting and advisory services to Petersburg and, on October 25, 2016, Petersburg announced the appointment of Tom Tyrrell, an employee of the Bobb Group, to serve as Acting City Manager.

The Commonwealth Aid Intercept Provision applies to all of the Petersburg Local Bonds. Petersburg received approximately $55 million in aid from the Commonwealth in FY15, which was over 12 times the FY15 debt service of approximately $4.37 million on the Petersburg Local Bonds and the other Petersburg obligations not held by VRA that are also subject to the Commonwealth Aid Intercept Provision. The maintenance of or any changes to this level of Commonwealth aid is subject to appropriation by the General Assembly.

VRA has the power to consent to any and all additional debt issued by Petersburg until Petersburg achieves certain financial performance metrics. The only debt VRA has approved since April 2015 are short-term tax and revenue anticipation notes to aid Petersburg in handling liquidity problems and a loan secured solely by the revenues of Petersburg's stormwater utility. Neither any anticipation note nor the stormwater loan is covered by the Commonwealth Aid Intercept Provision. Two of the Petersburg Local Bonds are additionally secured by local debt service reserve funds held by VRA's Trustee. These local debt service reserve funds hold amounts equal to maximum annual debt service on the Local Bonds they secure.

VRA has been monitoring pending litigation against Petersburg. The South Central Wastewater Authority ("South Central") treats the wastewater collected in Petersburg's wastewater collection system. On September 21, 2016, South Central filed a lawsuit against Petersburg in the Circuit Court for the City of Petersburg seeking to recover past-due payments for the wastewater treatment services. On October 4, 2016, the Circuit Court entered orders appointing a special receiver for Petersburg's wastewater system revenues and ordering mediation between South Central and Petersburg. Petersburg has asked the Circuit Court to stay or vacate its order appointing a receiver. The Petersburg Local Bond most directly affected by the lawsuit is the water and sewer Revenue Local Bond, which is secured in part by a lien on the same revenues expected to be applied to pay South Central (as well as one of the aforementioned local debt service reserve funds and the Commonwealth Aid Intercept Provision). As of the date hereof, the outstanding principal balance of this Revenue Local Bond is $7,220,000. VRA is seeking leave of the Circuit Court to intervene in the ongoing litigation between Petersburg and South Central. The outcome of the litigation cannot be reliably predicted at this time.

BVUA provides telephone, internet, and cable television service through its OptiNet division, and water, sewer, and electric services to its customers in its service area in southwestern Virginia. BVUA has one outstanding Revenue Local Bond in the Program (the "BVUA Local Bond"). The BVUA Local Bond is not subject to the Commonwealth Aid Intercept Provision. As described in the subsection "THE 2016C LOCAL GOVERNMENTS AND THE OTHER PARTICIPATING LOCAL GOVERNMENTS" in Section Three, the outstanding amount of the BVUA Local Bond is $36,790,000, which constitutes 1.55% of the outstanding aggregate principal amount of all Local Obligations in the Program as of the date hereof. VRA has increased its monitoring of BVUA because since 2013 nine former executives,

board members, and contractors of BVUA have been found guilty on multiple felony charges, including, but not limited to, falsified invoices, kickbacks, bribes, tax evasion, false income tax filings, wire fraud, mail fraud, and perjury. BVUA has new leadership in place, and the prior criminal activity does not appear to have had a material impact on BVUA's financial results based on audited financials received by VRA. VRA has also been monitoring a special audit of BVUA by the Commonwealth's Auditor of Public Accounts (the "APA"). The APA performed the audit as directed by legislation enacted in the 2016 General Assembly session and presented the results of the audit to the BVUA Board on September 15, 2016.

The APA's principal finding was that the BVUA Board and management created the opportunity for fraud to occur by not developing, implementing, and enforcing good internal controls. In addition, since management was involved in the fraud there was collusion and management override of any existing controls. The APA made 56 separate recommendations regarding BVUA's internal control policies and procedures in the following key areas:

- Board approval of large financial transactions

- Budget development process that ensures compliance with all laws, regulations, and debt requirements

- Purchasing and procurement compliance, processes, and limits

- Travel expense limits for employees, board members, and contractors

- Management of economic development grants/awards

- OptiNet sales activities, including entering into sales contracts, granting discounts to customers, and obtaining the proper approvals for all such activity

The APA noted that BVUA's OptiNet Division has a potential going concern issue, as it appears that they do not have the resources to continue operating without cross-subsidization, which the Code of Virginia prohibits. The APA found that BVUA has cross-subsidized services within OptiNet over the years by not properly allocating interest and principal debt payments across OptiNet services, by improperly writing off $13.7 million of interfund debt between OptiNet and the electric division, and by not paying OptiNet's share of pole attachment fees. Even without correcting these improper cross-subsidization issues, telephone revenues have been cross-subsidizing internet since 2012 and cable since at least 2011. However, to date, no payment default has occurred with respect to the BVUA Local Bond. BVUA has proposed to sell the OptiNet system and defease the portion of the BVUA Local Bond related to the OptiNet division. BVUA is still working through various aspects of the proposed sale, and VRA cannot reliably predict the outcome. The APA concluded that if BVUA does not sell the OptiNet Division under the current proposal, they will need to either put OptiNet up for sale to another entity or find options to make OptiNet profitable so they can continue to operate it. If BVUA continues to operate OptiNet, the APA recommended that it work with the General Assembly to propose legislation to authorize cross-subsidization across BVUA's services and divisions.

Local Support Agreements and Special Fund Local Bonds

A Local Support Agreement contains or constitutes a non-binding, non-legally enforceable pledge of the governing body of a Locality to consider making the requested appropriations from the general funds of the Locality to support a Revenue Local Bond (issued by that Locality or a Limited Purpose Local Government) or the operations of a Local Government issuing a Revenue Local Bond. A Special

Fund Local Bond contains a similar non-binding, non-legally enforceable pledge of the governing body of a Locality to appropriate amounts into a sinking fund to pay the debt service on the Special Fund Local Bond. The governing body cannot be compelled to make the appropriations requested under a Local Support Agreement or with respect to a Special Fund Local Bond. **However, the failure of the governing body to make such an appropriation would likely impair the credit standing of the Locality, and would trigger the Commonwealth Aid Intercept Provision of Section 62.1-216.1 of the Act**. See "Commonwealth Aid Intercept Provision" in the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in this Section Two.

To date, no Locality has failed to make any required payments or timely appropriate funds under a Local Support Agreement.

Events of Non-Appropriation and Defaults Under Financing Leases

The undertaking of the Financing Lease Local Governments to make payments under their respective Financing Leases is subject to and dependent upon amounts being lawfully available and appropriated from time to time by the governing body of such Local Government. The governing body cannot be compelled to make the appropriations. The undertaking of a Financing Lease Local Government to make payments under its Financing Lease is not a debt of such Local Government within the meaning of any constitutional or statutory limitation or a pledge of the faith and credit or the taxing power of such Local Government.

Pursuant to the Financing Leases, in the event that sufficient funds are not budgeted and appropriated by the governing body of the Financing Lease Local Government for the payment of amounts due under the Financing Lease and such Local Government defaults or fails to make payments under the Financing Lease, VRA may terminate the Financing Lease without penalty and may take possession of and re-lease the Qualified Project or substitute real property. Since the re-leasing of a Qualified Project or substitute real property may not be possible on terms as favorable as those of the Financing Lease there can be no assurance that the Rental Payments on the Financing Lease expected to be received will in fact be received. In addition, the ability of VRA to exclude a Financing Lease Local Government from possession in order to exercise VRA's remedy to re-lease a Qualified Project or substitute real property to a third-party may be limited by certain imposed public policy concerns or legal restrictions and may require judicial action, which is often subject to discretion and delay.

Moreover, if VRA exercises its rights to re-lease its interest in a Qualified Project or substitute real property, depending on the new user, interest paid on the Financing Lease may not be excludable from gross income for federal income tax purposes, which, in turn, may adversely affect the tax-exempt status of any Bonds the interest on which was intended to be excludable from gross income for federal income tax purposes.

To date, no Financing Lease Local Government has failed to make any required payments or timely appropriate funds.

Investment of Certain Funds

Amounts on deposit in the funds and accounts under the Indenture may be invested in various permitted investments. See information included under the heading "Restrictions on Permitted Investments" in Appendix A.

No Acceleration Upon Default of Bonds

The principal of, premium, if any, and interest on the Bonds is not subject to acceleration upon the occurrence and continuation of an Event of Default. Owners of Bonds will therefore be required to collect debt service payments on the Bonds due after an Event of Default based on the Bonds' scheduled payment dates from the Revenues and other property pledged under the Indenture which may not be sufficient to make such payments.

Additional Risks of Moral Obligation Bonds

Payment of debt service on VRA's Moral Obligation Bonds is subordinate to certain payment priorities, including payment of debt service on Infrastructure Revenue Bonds. See information included under the heading "Flow of Funds" in the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS" in this Section Two. Timely payment of debt service on the Moral Obligation Bonds is dependent upon Revenues being available in sufficient amounts to satisfy all claims on such Revenues that are payable prior to payment of debt service on the Moral Obligation Bonds, including debt service on the Infrastructure Revenue Bonds. Moreover, VRA may issue additional Infrastructure Revenue Bonds in the future without the consent of the Owners of the Moral Obligation Bonds. See information included under the subsection "ADDITIONAL INDEBTEDNESS" in this Section Two.

The failure to pay any amount related to the Moral Obligation Bonds will not constitute an Event of Default on the Infrastructure Revenue Bonds. So long as any Infrastructure Revenue Bonds are Outstanding, the Owners of such Bonds will control and direct all actions of the Trustee in exercising remedies upon an Event of Default, and no Owner of any Moral Obligation Bond may control or direct the exercise of such remedies.

Capital Reserve Fund Replenishment

The Act and the Indenture provide for the Governor to submit to the presiding officer of each house of the General Assembly a budget including, as an agency request for informational purposes only, the amount, if any, required to restore the Capital Reserve Fund to the CRF Reserve Requirement. The General Assembly may, but is not legally obligated to, appropriate to VRA such amount. Amounts on deposit in the Capital Reserve Fund have not fallen below the CRF Reserve Requirement and, therefore, the General Assembly has not to date been called upon to appropriate funds for replenishment of the Capital Reserve Fund. Neither this nor any other provision of the Act or the Indenture creates a debt or liability or pledges the faith and credit of the Commonwealth to make any appropriation or payments to VRA for this or any other purpose. **The Capital Reserve Fund secures only the Moral Obligation Bonds.** Under certain circumstances, VRA may reduce or eliminate the Commonwealth's Moral Obligation commitment to replenish the Capital Reserve Fund as described under the heading "Moral Obligation Bonds" in the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS" in this Section Two.

Unknown Future Participants and Credit Standard Changes

The Master Indenture is an "open indenture" which authorizes the issuance of additional Series of Bonds and lending the proceeds thereof and other funds to Local Governments to be identified in the future. VRA expects regularly each year to acquire additional Local Obligations in amounts and at interest rates which have not yet been determined. Thus, the credit quality of the Local Obligations cannot be evaluated only on the basis of the Local Obligations already held or proposed to be acquired with the net proceeds of the 2016C Bonds. Although additional Series of Bonds are authorized only if sufficient Local Governments meet the credit standards, the credit standards may be changed or waived at the discretion of VRA. For a description of VRA's credit standards, see the subsection "THE VIRGINIA POOLED FINANCING PROGRAM" in Section Three.

No Requirement to Maintain Historical Debt Service Coverage Percentages

VRA's informal policy of acquiring or purchasing Local Obligations with a 70/30 proportion of Infrastructure Revenue Bonds and Moral Obligation Bonds is expected to produce an Infrastructure Revenue Bond Debt Service Coverage Ratio of approximately 1.40. However, VRA is not obligated to maintain this level of Infrastructure Revenue Bond Debt Service Coverage Ratio. Under the Indenture, VRA must show Required Revenue Coverage and Infrastructure Revenue Bond Debt Service Coverage of 100% in order to issue additional Infrastructure Revenue Bonds or Moral Obligation Bonds, or both. Further, for so long as any of the 2016C Bonds are outstanding VRA must show required Infrastructure Revenue Bond Revenue Coverage of 120% in order to issue additional Infrastructure Revenue Bonds or Moral Obligation Bonds, or both. There can be no assurances that VRA will maintain the informal policies concerning the issuance of Bonds or the projected Infrastructure Revenue Bond Debt Service Coverage Ratio set forth in the subsection "PROJECTED CASH FLOWS" in this Section Two.

Closing of Sale of 2016C Bonds Dependent on a Successful Closing of the Bonds Sold By Negotiated Sale and Competitive Bid

The 2016C Bonds are being issued to provide funding requested by the 2016C Local Governments for Qualified Projects. The 2016C Infrastructure Revenue Bonds were offered by a negotiated sale with the Underwriters. The 2016C Moral Obligation Bonds were offered for sale by competitive bid on the same day as the 2016C Infrastructure Revenue Bonds, and the closing of the 2016C Bonds is expected to occur on the same day. In the unlikely event that the sale of either series of 2016C Bonds does not close, VRA will not sell either series as the sale of both are required to fund the Qualified Projects of the 2016C Local Governments. See the subsections "UNDERWRITING OF CERTAIN 2016C BONDS" and "SALE OF 2016C MORAL OBLIGATION BONDS BY COMPETITIVE BIDDING" each in Section Four.

SECTION THREE: PROGRAM PARTICIPANTS

VIRGINIA RESOURCES AUTHORITY

VRA, created by the Act in July 1984, is organized and exists as a public body corporate and a political subdivision of the Commonwealth. VRA was created to assist in financing the present and future needs of the Commonwealth for, among other things, the costs of Qualified Projects, and to encourage the investment of both public and private funds to make loans and grants available to Local Governments for Qualified Projects.

VRA is authorized to issue its bonds to provide funds to carry out its purposes and powers. To date, VRA has issued bonds backed by the moral obligation of the Commonwealth in the original

aggregate principal amount of $2,364,289,229 of which $918,219,318.73* was outstanding as of September 30, 2016. These amounts include the original and outstanding principal amounts of the Moral Obligation Bonds set forth in the subsection "PRIOR SERIES OF BONDS" in Section Two and bonds from other VRA programs. VRA is authorized to have outstanding bonds backed by the moral obligation of the Commonwealth of no more than $1.5 billion; however, this limit can be changed at any time by the General Assembly.

In addition, VRA has issued bonds that are not backed by the moral obligation of the Commonwealth in the original aggregate principal amount of $4,318,971,045*, of which $2,426,879,595* was outstanding as of September 30, 2016. These amounts include the original and outstanding principal amounts of the Infrastructure Revenue Bonds set forth in the subsection "PRIOR SERIES OF BONDS" in Section Two and bonds from other VRA programs.

Members of the Board

The Board of Directors of VRA consists of seven members appointed by the Governor and confirmed by the General Assembly for four-year staggered terms and four ex-officio members: the State Treasurer, the State Health Commissioner, the Director of the Department of Environmental Quality and the Director of the Department of Aviation. The Chairman of the Board of Directors is designated by the Governor and is the chief executive officer of VRA. The members of the Board of Directors are as follows:

William G. O'Brien of Port Republic, Virginia. Director and Chairman. Term expires June 30, 2020. He is the retired County Administrator of Rockingham County, a position he held for over 25 years.

Thomas L. Hasty, III of Chesapeake, Virginia. Director and Vice-Chairman. Term expires June 30, 2018. Mr. Hasty is Senior Executive Vice President of Towne Bank, Portsmouth, Virginia.

David Branscome of Manassas, Virginia. Director. Term expires June 30, 2019. Mr. Branscome is Vice President of Branscome Paving Company, Manassas, Virginia.

Mary B. Bunting of Hampton, Virginia. Director. Term expires June 30, 2020. Ms. Bunting is the City Manager of the City of Hampton, Virginia.

Barbara McCarthy Donnellan of Clifton, Virginia. Director. Term expires June 30, 2017. Ms. Donnellan served the Arlington County community for over 30 years and is the retired County Manager for Arlington County, a position she held between 2010 and 2015.

Reginald E. Gordon of Richmond, Virginia. Director. Term expires June 30, 2020. Mr. Gordon is the Director of the Office of Community Wealth Building for the City of Richmond, Virginia.

Cecil R. Harris, Jr. of Rockville, Virginia. Director. Term expires June 30, 2020. Mr. Harris is the County Administrator of the County of Hanover, Virginia.

Randall P Burdette of Stafford County, Virginia. Director Ex-Officio. Mr. Burdette serves as Director of the Department of Aviation. He was appointed to this position on August 11, 2004. Previously, he served as Program Manager for the Defense Department's Technology Initiative.

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* This amount does not account for the issuance of the 2016C Bonds or the defeasance of any bonds refunded by the 2016C Bonds.

Manju Ganeriwala of Henrico County, Virginia. Director Ex-Officio. Ms. Ganeriwala serves as State Treasurer of Virginia. She was reappointed to this post by Governor Terence R. McAuliffe, effective January 2014. Prior to her initial appointment as State Treasurer in 2009, Ms. Ganeriwala served as Deputy Secretary of Finance beginning in January 2006.

Marissa Levine, MD, MPH of Richmond, Virginia. Director Ex-Officio. As of February 1, 2014, Dr. Levine serves as Health Commissioner. Prior to her appointment, Dr. Levine served as Interim Health Commissioner.

David K. Paylor of Richmond, Virginia. Director Ex-Officio. Mr. Paylor serves as the Director of the Department of Environmental Quality. Prior to his appointment, Mr. Paylor served as Deputy Secretary of Natural Resources for Governor Mark Warner.

VRA Staff

The Executive Director of VRA is appointed by the Governor. The Executive Director reports to, but is not a member of, the Board of Directors, and administers, manages and directs the affairs and activities of VRA in accordance with the policies, and under the control and direction, of the Board of Directors. Selected members of the staff include the following:

Stephanie L. Hamlett, Executive Director and General Counsel. Ms. Hamlett was appointed Executive Director in April 2014, and previously served as Executive Director from July 2010 to March 2012. Prior to her most recent appointment, Ms. Hamlett served as a Senior Assistant Attorney General. She has also served as Deputy Counselor for Governor Robert McDonnell. Prior to serving in that capacity, she served as Senior Counsel to the Attorney General, Deputy Attorney General, Special Counsel to the Attorney General and Opinions Chief and an Assistant Attorney General in the financial services section of the Attorney General's Office as Assistant Attorney General. As Assistant Attorney General she represented a variety of state agencies, including the Virginia Retirement System, the Virginia Port Authority, the Virginia College Savings Plan, the Virginia Public School Authority and the Virginia Public Building Authority in financial and investment-related matters. She also served as counsel to the Virginia Department of Taxation. She is the former Executive Director and General Counsel of Virginia's Heartland Partnership, Inc., and from 1996 to 1999, she served at Legislative Services as staff counsel to the House Finance Committee and House Appropriations Committee. In the private practice of law, Ms. Hamlett specialized in tax, bond and business issues. Ms. Hamlett received her undergraduate training at Mary Washington College, she received her Juris Doctor degree from the University of Richmond's T.C. Williams School of Law and her Master's degree in tax law from the College of William and Mary's Marshall-Wythe School of Law.

Shawn Crumlish, Director of Financial Services. Mr. Crumlish joined VRA in 2005. Prior to VRA, his work experience included financial research and analysis and business development for several manufacturers. He holds a Bachelor's degree in Marketing from James Madison University and a Master's degree in Finance from Virginia Commonwealth University.

Peter D'Alema, Director of Program Management. Mr. D'Alema currently serves as the Director of Program Management for VRA. His previous experience includes serving as Financial Manager for VRA and Senior Commercial Underwriter for Bank of America, N.A. He holds a Bachelor's degree in Marketing Management from Virginia Polytechnic Institute and State University (Virginia Tech) and a Master's degree in Finance from Virginia Commonwealth University.

THE VIRGINIA POOLED FINANCING PROGRAM

Background

Under the Program, VRA uses the net proceeds of the Bonds to purchase or acquire Local Obligations from Local Governments to finance or refinance Qualified Projects. Qualified Project costs that may be financed by VRA are those incurred by a Local Government as reasonable and necessary for the carrying out of all work and undertakings necessary or incident to any Qualified Project. A "Qualified Project" is any project or facility related to water supply, wastewater treatment, solid waste management, recycling, resource recovery, energy conservation and efficiency, transportation, public safety, land conservation and preservation, parks and recreation, professional sports facilities (if designated by the General Assembly as eligible for assistance from VRA), federal facilities (and former federal facilities), brownfield remediation and redevelopment, local government buildings, broadband, governmental airports, flood prevention or dam safety, together with related equipment, office, administrative, storage, and maintenance facilities, as well as interests in land related thereto.

To qualify under the Program, a Local Government must submit to VRA an application or other materials containing a description of its Qualified Project and a summary of the estimated costs necessary to complete the Qualified Project. In addition, the Local Government must submit a description of all sources of funds available to pay for the Qualified Project, including funds required from sources other than VRA. A Local Government (issuing a Revenue Local Bond or a Double-Barrel Local Bond) or a Financing Lease Local Government must submit a description of the revenues or lease payments to be derived from the Qualified Project which are to be pledged to the payment of the Local Obligation and a projection of revenues or lease payments and expenses for the Qualified Project over the life of the Local Obligation. When projections indicate a potential future need for revenues outside of those specifically pledged to support the debt service of a given Qualified Project, VRA may require a Local Support Agreement as an additional credit enhancement from one or more Local Governments before authorizing a loan. See the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in Section Two for additional information on Local Support Agreements. In addition, any Locality (issuing a General Obligation Local Bond, a Double-Barrel Local Bond, or a Special Fund Local Bond) or a Financing Lease Local Government must submit data with respect to assessed valuation of real estate, tax rates and receivables and outstanding and projected indebtedness. A Local Government must submit information with respect to population trends and general economic outlook of the community. Except in the cases of loans secured by Local Obligations that constitute General Obligation Local Bonds, Special Fund Local Bonds, refinancings or Financing Leases, a Local Government must submit a certificate, prepared by an independent consulting engineer, independent certified public accountant or other consultant acceptable to VRA, certifying as to, among other things, the sufficiency of the rates, fees and other charges established by the Local Government to meet its rate covenant contained in its Agreement. Each Local Government must submit audited financial statements in a form acceptable to VRA. Additionally, VRA may in its discretion require a Local Government to obtain an underlying rating from a rating agency at least equal to the rating level established by VRA.

The acquisition of a Local Obligation by VRA under the Program is determined by VRA generally on the basis of the economic feasibility of the Qualified Project to be financed by the Local Obligation and the financial viability of the Local Government. In assessing economic feasibility, VRA considers, among other things, prevailing economic conditions, population growth and trends, employment levels, the Local Government's administrative capabilities, the financial performance of the Local Government's water, sewer and/or solid waste system, public safety facility, or other revenue generating Qualified Projects, and the present rate structure. In addition, the Local Government issuing a Revenue Local Bond or a Double-Barrel Local Bond must demonstrate its ability to fix rates, fees and other charges at times and in amounts necessary to produce sufficient revenues to pay the operating and

maintenance expenses of the Qualified Project, debt service on all outstanding prior or parity indebtedness against the Qualified Project and debt service on the Local Obligations issued in connection with the Qualified Project. In the case of Local Obligations constituting general obligations and Financing Leases, VRA considers, among other things, the tax base of the Local Government and its existing tax rate structure and the historical performance of the Local Government's general fund.

Certain information regarding the performance of the Program for the fiscal year ended June 30, 2015, is available in the Comprehensive Annual Report of the Virginia Resources Authority, and which is incorporated herein by reference. Such report has been filed with and is available from the Municipal Securities Rulemaking Board's Electronic Municipal Market Access Website.

Structure

The Local Obligations will be structured to provide for payments of debt service or rentals in amounts and at times that, together with the expected investment earnings and the balances scheduled to be released from the Capital Reserve Fund, are expected to be adequate to pay the principal of, premium, if any, and interest on the Bonds (including the 2016C Bonds) through maturity or upon their earlier redemption. See the subsection "SECURITY AND SOURCES OF PAYMENT FOR THE 2016C BONDS" in Section Two.

VRA's current practice is to structure the Program so that for every $1.00 of Bond proceeds used to purchase or acquire Local Obligations, approximately $0.70 is provided from the proceeds of Infrastructure Revenue Bonds and approximately $0.30 is provided from the proceeds of Moral Obligation Bonds. However, VRA may change this structure at any time, subject to the limitations related to the issuance of additional Bonds. For instance, so long as any 2016C Bonds remain Outstanding, as a condition of issuing additional Bonds under the Indenture, VRA must show Required Infrastructure Revenue Bond Revenue Coverage of 120% for any additional Infrastructure Revenue Bonds and 100% for any additional Moral Obligation Bonds, but VRA is not required to issue Infrastructure Revenue Bonds and Moral Obligation Bonds in the same proportions as it has previously. See the subsection "ADDITIONAL INDEBTEDNESS" in Section Two.

SELECTED INFORMATION ON VIRGINIA LOCAL GOVERNMENTS

The information set forth below includes brief summaries of state law concerning the operation of, and certain legal restrictions applicable to, the Local Governments that have issued or will issue or enter into Local Obligations to be acquired by VRA from proceeds of the various Series of Bonds that have been or will be issued under the Indenture. Local Governments are expected to consist mainly of counties, cities, towns, regional authorities, service authorities, sanitation districts and sanitary districts in the Commonwealth. Nothing contained in the summaries set forth in this subsection should be construed as a representation or warranty of the financial condition of any specific Local Government.

Powers

Localities (i.e., counties, cities and towns) conduct their respective governmental activities pursuant to the provisions of the Constitution of Virginia (the "Constitution") and general and special laws of the Commonwealth. Localities generally have been granted powers to contract, sue and be sued, assess, levy and collect taxes, issue bonds, own, lease (as lessor and lessee) and take real or personal property, regulate nuisances, ensure public health and safety and take actions to protect the environment. Localities have also been granted powers to provide certain services, including without limitation police, fire, entertainment, rescue squad, street lighting, water, wastewater and solid waste disposal services.

Limited Purpose Local Governments (e.g., service authorities) are authorized to provide such services as are enumerated in their respective enabling legislation, which may include without limitation one or more of the following: water supply, wastewater treatment and disposal, stormwater and refuse collection and disposal services, public safety and transportation services.

Sources of Revenue

Localities. Revenues of Localities are derived principally from:

(1) General Property Taxes – Localities are authorized by the Constitution to levy an annual ad valorem tax on the assessed value of real and personal property located within their jurisdictions. The timing of such taxes and the rate of such taxes varies among Localities.

(2) Other Local Taxes – Localities may also levy various other local taxes including a sales and use tax, business, professional and occupational license taxes, motor vehicle license tax, meal tax, a recordation tax and a tax on consumer telephone bills.

(3) Intergovernmental Revenue – Localities may receive revenue from the Commonwealth for a portion of shared categorical expenses including certain expenditures for social services and the operation of constitutional offices. Cities and counties also receive a significant amount of aid from the Commonwealth in support of the public school system; however, such revenues are credited directly to the school system and are not reflected in the general funds of cities and counties. The Commonwealth is not obligated to maintain or continue such financial assistance, which is provided subject to appropriation by the General Assembly of the Commonwealth.

(4) Other Revenues – Other sources of revenue for a Locality may include permits, privilege fees and regulatory licenses, fines and forfeitures, interest on general fund investments, transfers from a utility fund, certain charges for services rendered, various recovered costs, and miscellaneous other revenues.

Limited Purpose Local Governments. Revenues of Limited Purpose Local Governments are derived principally from the payment of rates, fees and charges derived from the operation and use of the Systems of such Limited Purpose Local Governments.

Incurrence of Debt

Localities. Pursuant to the Constitution and the Public Finance Act of 1991 (Chapter 26, Title 15.2 of the Virginia Code), a Locality in the Commonwealth is authorized to issue bonds and notes secured by (a) a pledge of its full faith and credit and unlimited taxing power ("General Obligation Debt"), (b) a pledge of revenues from the ownership or operation or lease of a revenue producing enterprise, such as a water supply, wastewater treatment, solid waste disposal system or transportation project, and certain other funds ("Revenue Debt") and (c) a pledge combining (a) and (b) ("Double-Barrel Debt"). The Constitution and the Public Finance Act of 1991 limit the amount of such General Obligation Debt or Double-Barrel Debt (except Double-Barrel Debt that has been authorized by referendum to finance a project that is producing sufficient revenue to pay debt service on such Debt) which may be incurred by cities and towns (and counties that have elected to be treated as a city for purposes of the incurrence of debt) to 10% of the assessed valuation of real estate subject to local taxation. Some city or town charters may further limit the amount of debt that may be incurred within a fiscal year or that may be incurred without a referendum. Counties may not issue General Obligation Debt or Double-Barrel Debt without a referendum, except for refunding bonds and bonds issued for capital projects for school purposes and sold to the Literary Loan Fund, the Virginia Retirement System

or other Commonwealth agency prescribed by law. The Constitution and the Public Finance Act of 1991 do not contain restrictions on the amount of Revenue Debt that may be incurred by a Locality. The bond resolution, trust indenture or other agreement providing for the issuance of Revenue Debt may, however, contain certain rate covenants and additional bonds tests that must be satisfied prior to the issuance of additional Revenue Debt.

The authorization for a Locality to issue a Special Fund Local Bond to VRA is found in Section 62.1-216 of the Act, which among other things provides for the creation and maintenance of special funds for the payment of debt service on Local Bonds and the appropriation of funds of the Locality to make deposits into a special fund.

Limited Purpose Local Governments. Subject to the provisions of its respective enabling legislation, most Limited Purpose Local Governments are authorized to issue Revenue Debt only. The bond resolution, trust agreement or other agreement providing for the issuance of debt may contain certain rate covenants and additional bonds tests that must be satisfied prior to the issuance of additional Revenue Debt. Sanitary districts are authorized to issue Revenue Debt and, subject to certain limitations, may levy an annual tax upon on all property in the district subject to local taxation to pay debt service on such debt.

Leasing Powers

Most Local Governments are authorized to lease property as lessor and as lessee under the Virginia Code. In general, as described above, a county may not issue General Obligation Debt without a referendum. Counties sometimes choose to finance non-revenue-producing projects by entering into long-term leases under which the obligation to pay rentals is subject to annual appropriations by the governing body of the county. Based on a number of opinions of the Attorney General of Virginia, and the decision of the Supreme Court of Virginia in *Dykes* (as referenced under the heading "Local Bonds" in the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in Section Two), to the effect that "subject-to-appropriation" financings do not constitute General Obligation Debt, there is no legally enforceable duty or liability on the county to make the appropriation. The rentals are often pledged to secure bonds issued by Limited Purpose Local Governments to finance the project leased to the county.

Certain Economic Information

The economy of the Commonwealth and its Local Governments is affected to a significant degree by manufacturing, the government sector (including defense and other federal government operations), agriculture, mining and tourism. Defense installations are concentrated in (i) Northern Virginia, the location of the Pentagon, and (ii) the Hampton Roads area, including the Cities of Newport News, Hampton, Norfolk and Virginia Beach (Southeastern Virginia), the locations of, among other installations, the Joint Base Langley-Eustis (the combination of Langley Air Force Base and Fort Eustis), Norfolk Naval Station and the Oceana Naval Air Station, respectively. Any substantial reductions in defense spending generally or in particular areas, including base closings, could adversely affect the economies of the Commonwealth and its political subdivisions. Certain financial, economic and demographic information about the Commonwealth, including a discussion of certain economic outlook and revenue forecasts, has been incorporated in this Official Statement. See Appendices B, C and D.

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THE 2016C LOCAL GOVERNMENTS AND THE OTHER PARTICIPATING LOCAL GOVERNMENTS

Set forth in the table below are the 2016C Local Governments and the features of their respective 2016C Local Obligations. The 2016C Local Obligations are to be delivered contemporaneously with the delivery of the 2016C Bonds

2016C Local Governments

Local Government	Principal Amount of 2016C Local Obligation	Purpose	Type of Security[2]	Term (years)	Percentage of all Outstanding Local Obligations
County of Fauquier, Virginia	$2,775,000	Wastewater, Refunding	Lease	13	0.12%
County of Greene, Virginia	920,000	Wastewater, Refunding	Moral Obligation/Revenue	12	0.04
County of Halifax, Virginia	14,455,000	Local Government Building, Public Safety	Lease	20	0.61
City of Lexington, Virginia	2,180,000	Water, Wastewater	Revenue	20	0.09
Meherrin River Regional Jail Authority	33,770,000	Public Safety, Refunding	Moral Obligation / Revenue	24	1.42
Northern Virginia Regional Park Authority	14,020,000	Parks and Recreation	Revenue	30	0.59
County of Stafford, Virginia	41,140,000	Water, Refunding	Revenue	26	1.73
County of Stafford, Virginia	460,000	Dam Safety, Refunding	Lease	12	0.02
City of Suffolk, Virginia	92,795,000	Water, Wastewater, Refunding	Revenue	27	3.90
County of York, Virginia	6,540,000	Wastewater, Refunding	Revenue	12	0.27
Totals	$209,055,000[1]				

1 Total is less than aggregate par amount of the 2016C Bonds because total does not include bonds sold to fund the Capital Reserve Fund.

2. For an explanation of the types of security for the 2016C Local Obligations, see the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in Section Two.

Set forth in the table below is the aggregate participation in the Program of the 2016C Local Governments and all of the other Local Governments that have currently outstanding Local Obligations acquired with proceeds of the Bonds Outstanding. There are currently 145 Local Governments who participate in the Program including the 2016C Local Governments.

Aggregate Participation in the Virginia Pooled Financing Program

Locality	Outstanding Amount	% of all Local Bonds	Pledge
Accomack County	$ 3,620,000	0.15%	Lease Revenue
Alexandria Renew Enterprises	19,905,000	0.84%	Revenue
Amelia County	390,000	0.02%	Revenue, MO
Amherst County Service Authority	8,695,000	0.37%	Revenue, MO
Appomattox River Water Authority	8,105,000	0.34%	Revenue
Augusta County	5,310,000	0.22%	Lease Revenue
Bedford Regional Water Authority	30,960,000	1.30%	Revenue
Bedford Regional Water Authority	12,080,000	0.51%	Revenue, MO
Bland County	2,265,000	0.10%	Lease Revenue
Blue Ridge Regional Jail Authority	45,390,000	1.91%	Revenue
Botetourt County	12,985,000	0.55%	Lease Revenue
Boydton, Town of	230,000	0.01%	Revenue
Bristol Virginia Utilities Authority	36,790,000	1.55%	Revenue
Bristol, City of	2,845,000	0.12%	GO
Broadway, Town of	8,115,000	0.34%	GO, Revenue
Brunswick County	4,770,000	0.20%	Lease Revenue
Buchanan Public Service Authority	815,000	0.03%	Revenue, MO
Buckingham County	6,330,000	0.27%	Lease Revenue
Caroline County	37,460,000	1.57%	Revenue, MO
Caroline County	6,285,000	0.26%	Lease Revenue
Caroline County	150,000	0.01%	GO
Charlotte County	11,485,000	0.48%	Lease Revenue
Chesterfield County	19,420,000	0.82%	Special Fund Revenue
Chilhowie, Town of	4,205,000	0.18%	GO
Clarksville, Town of	3,775,000	0.16%	GO, Revenue
Clifton Forge, Town of	770,000	0.03%	GO, Revenue
Clifton Forge, Town of	260,000	0.01%	GO
Covington, City of	5,005,000	0.21%	Revenue
Craig-New Castle Public Service Authority	495,000	0.02%	Revenue
Culpeper County	2,895,000	0.12%	Lease Revenue
Dickenson County	485,000	0.02%	Lease Revenue
Dinwiddie County	52,885,000	2.22%	Lease Revenue
Dinwiddie County Water Authority	1,800,000	0.08%	Revenue, MO
Dumfries, Town of	1,495,000	0.06%	GO
Essex County	4,300,000	0.18%	Lease Revenue
Fairfax County	9,420,000	0.40%	Special Fund Revenue
Fairfax County Park Authority	2,900,000	0.12%	Revenue
Fairfax, City of	28,165,000	1.18%	Lease Revenue
Fairfax, City of	22,550,000	0.95%	Revenue
Falls Church, City of	2,600,000	0.11%	GO

Locality	Outstanding Amount	% of all Local Bonds	Pledge
Farmville, Town of	13,600,000	0.57%	GO
Fauquier County	12,240,000	0.51%	Lease Revenue
Fauquier County	880,000	0.04%	Revenue, MO
Fincastle, Town of	370,000	0.02%	GO, Revenue
Fluvanna County	2,835,000	0.12%	Lease Revenue
Franklin County	2,395,000	0.10%	Revenue, MO
Franklin, City of	1,875,000	0.08%	GO
Frederick County	23,365,000	0.98%	Lease Revenue
Frederick County Sanitation Authority	13,610,000	0.57%	Revenue
Fredericksburg, City of	12,825,000	0.54%	GO
Fredericksburg, City of	1,660,000	0.07%	Revenue
Frederick-Winchester Service Authority	67,010,000	2.81%	Revenue
Front Royal, Town of	6,125,000	0.26%	GO
Front Royal, Town of	2,645,000	0.11%	GO, Revenue
Giles County	21,615,000	0.91%	Lease Revenue
Gloucester County	3,480,000	0.15%	Revenue
Goochland County	3,615,000	0.15%	Revenue, MO
Gordonsville, Town of	540,000	0.02%	GO
Greene County	16,675,000	0.70%	Revenue, MO
Greensville County	6,050,000	0.25%	Lease Revenue
Greensville County	2,420,000	0.10%	Revenue, MO
Greensville County Water and Sewer Authority	9,880,000	0.42%	Revenue, MO
Halifax County	14,955,000	0.63%	Lease Revenue
Halifax County Service Authority	3,025,000	0.13%	Revenue
Halifax County Service Authority	540,000	0.02%	Revenue, MO
Hamilton, Town of	570,000	0.02%	GO, Revenue
Hampton Roads Regional Jail Authority	12,950,000	0.54%	Revenue
Hampton, City of	76,650,000	3.22%	Revenue, MO
Hanover County	41,090,000	1.73%	Special Fund Revenue
Hanover County	12,820,000	0.54%	Revenue
Hanover County	1,760,000	0.07%	Lease Revenue
Harrisonburg, City of	535,000	0.02%	GO
Harrisonburg-Rockingham Regional Sewage Authority	5,350,000	0.22%	Revenue
Henry County Public Service Authority	1,420,000	0.06%	Revenue
Hopewell, City of	11,925,000	0.50%	Revenue
James River Water Authority	7,965,000	0.33%	Revenue, MO
John Flannagan Water Authority	315,000	0.01%	Revenue
King George County	47,925,000	2.01%	Lease Revenue
King George County	4,425,000	0.19%	Revenue
King George County Service Authority	8,255,000	0.35%	Revenue, MO
King William County	1,070,000	0.04%	Revenue, MO
Lake Holiday Sanitary District	7,640,000	0.32%	GO, Revenue
Lancaster County	2,770,000	0.12%	Lease Revenue
Lawrenceville, Town of	595,000	0.02%	Revenue
Leesburg, Town of	11,185,000	0.47%	GO
Lexington, City of	9,200,000	0.39%	GO
Lexington, City of	2,180,000	0.09%	Revenue

Locality	Outstanding Amount	% of all Local Bonds	Pledge
Loudoun County	15,445,000	0.65%	Lease Revenue
Loudoun County	4,980,000	0.21%	Revenue, MO
Louisa County	37,115,000	1.56%	Lease Revenue
Lovettsville, Town of	2,165,000	0.09%	GO, Revenue
Luray, Town of	1,285,000	0.05%	GO
Luray, Town of	1,280,000	0.05%	GO, Revenue
Manassas Park, City of	26,010,000	1.09%	GO
Manassas Park, City of	9,360,000	0.39%	GO, Revenue
Manassas, City of	950,000	0.04%	GO
Marion, Town of	200,000	0.01%	GO
Mathews County	3,155,000	0.13%	Lease Revenue
Maury Service Authority	695,000	0.03%	Revenue
Meherrin Regional Jail Authority	37,700,000	1.58%	Revenue, MO
Middle River Regional Jail Authority	22,010,000	0.92%	Revenue, MO
Middleburg, Town of	1,700,000	0.07%	GO
Middlesex County	465,000	0.02%	Lease Revenue
Nelson County	9,540,000	0.40%	Lease Revenue
New Kent County	34,860,000	1.46%	Lease Revenue
New Kent County	13,145,000	0.55%	Revenue, MO
New Market, Town of	1,615,000	0.07%	GO
New River Regional Water Authority	12,455,000	0.52%	Revenue, MO
Northampton County	20,130,000	0.85%	Lease Revenue
Northern Virginia Regional Park Authority	14,020,000	0.59%	Revenue
Northwestern Regional Jail Authority	2,590,000	0.11%	Revenue, MO
Norton, City of	1,485,000	0.06%	GO, Revenue
NRV Regional Water Authority	5,635,000	0.24%	Revenue
Patrick County	5,500,000	0.23%	Lease Revenue
Petersburg, City of	17,610,000	0.74%	GO
Petersburg, City of	7,220,000	0.30%	Revenue
Pittsylvania County	1,415,000	0.06%	Lease Revenue
Pocahontas, Town of	865,000	0.04%	GO
Poquoson, City of	375,000	0.02%	GO, Revenue
Potomac Rappahannock Transportation Commission	1,520,000	0.06%	Revenue, MO
Powhatan County	16,845,000	0.71%	Revenue, MO
Powhatan County	4,745,000	0.20%	Lease Revenue
Prince Edward County	5,355,000	0.22%	Lease Revenue
Prince Edward County	1,565,000	0.07%	GO
Prince William County	64,045,000	2.69%	Lease Revenue
Purcellville, Town of	630,000	0.03%	GO, Revenue
Radford, City of	8,380,000	0.35%	GO
Rapidan Service Authority	12,085,000	0.51%	Revenue
Rappahannock Regional Jail Authority	5,645,000	0.24%	Revenue
Richmond County	1,105,000	0.05%	Lease Revenue
Richmond Metropolitan Authority	77,490,000	3.25%	Revenue
Rivanna Water and Sewer Authority	62,965,000	2.64%	Revenue
Roanoke County	24,390,000	1.02%	Lease Revenue
Roanoke Valley Broadband Authority	8,705,000	0.37%	Revenue, MO

Locality	Outstanding Amount	% of all Local Bonds	Pledge
Roanoke, City of	700,000	0.03%	GO
Rockbridge County	16,745,000	0.70%	Lease Revenue
Rockbridge County Solid Waste Authority	6,280,000	0.26%	Revenue, MO
Rockingham County	14,500,000	0.61%	Revenue, MO
Round Hill, Town of	5,875,000	0.25%	GO
RSW Regional Jail Authority	44,265,000	1.86%	Revenue, MO
Scott County	4,755,000	0.20%	Lease Revenue
Shenandoah County	13,955,000	0.59%	Lease Revenue
Shenandoah County	4,310,000	0.18%	Revenue, MO
Smyth County	6,115,000	0.26%	GO, Revenue
South Boston, Town of	1,780,000	0.07%	GO
South Hill, Town of	1,470,000	0.06%	GO
South Hill, Town of	220,000	0.01%	Revenue
Southampton County	30,610,000	1.29%	Revenue, MO
Southeastern Public Service Authority	9,895,000	0.42%	GO Guaranty
Southside Regional Public Service Authority	1,875,000	0.08%	Revenue, MO
Southwest Virginia Regional Jail Authority	61,490,000	2.58%	Revenue, MO
Stafford County	75,960,000	3.19%	Revenue
Stafford County	62,230,000	2.61%	Lease Revenue
Stafford County	2,410,000	0.10%	GO
Stafford County	1,660,000	0.07%	Solid Waste Revenue
Staunton, City of	7,280,000	0.31%	GO
Strasburg, Town of	3,505,000	0.15%	GO
Suffolk, City of	181,610,000	7.63%	Revenue
Surry County	13,905,000	0.58%	Lease Revenue
Sussex Service Authority	10,050,000	0.42%	Revenue
Tappahannock, Town of	2,395,000	0.10%	GO
Tazewell County	10,455,000	0.44%	Lease Revenue
Tazewell County	615,000	0.03%	Revenue, MO
Transportation District Commission of Hampton Roads	2,030,000	0.09%	Lease Revenue
Vinton, Town of	460,000	0.02%	GO
Warren County	74,200,000	3.12%	Lease Revenue
Waynesboro, City of	16,550,000	0.70%	GO
Waynesboro, City of	1,485,000	0.06%	Revenue
Western Virginia Water Authority	53,520,000	2.25%	Revenue
Western Virginia Water Authority	7,210,000	0.30%	Revenue, MO
Winchester, City of	53,565,000	2.25%	Revenue
Wise County	4,545,000	0.19%	Revenue, MO
Woodstock, Town of	2,105,000	0.09%	GO
York County	11,870,000	0.50%	Lease Revenue
York County	6,540,000	0.27%	Revenue
Total	$2,380,670,000	100.00%	

This Official Statement does not include financial information or operating data specific to any 2016C Local Government or other Local Government. In the future, any Local Government may be required to provide disclosure in a primary offering or on a continuing basis if the aggregate outstanding principal amount of Local Obligations of such Local Government from time to time represents 15% or more of the then outstanding amount of all Local Obligations purchased with proceeds of Bonds then issued and outstanding under the Master Indenture.

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SECTION FOUR: MISCELLANEOUS

LITIGATION

There is not now pending or, to the knowledge of VRA, threatened against VRA any litigation restraining or enjoining the issuance or delivery of the 2016C Bonds or questioning or affecting the validity of the 2016C Bonds or the proceedings and authority under which the 2016C Bonds are to be issued, or the pledge or application of any moneys or the security provided for the payment of the 2016C Bonds (except as described below), or the existence or powers of VRA, or restraining or enjoining the execution, delivery or performance of the 2016C Bonds or the Indenture or questioning or affecting the validity of the 2016C Bonds or the Indenture.

Each Local Government will be expected to represent in its respective Agreement that there is no action or suit pending or, to the knowledge of the Local Government, threatened against the Local Government (a) affecting the creation, organization or existence of the Local Government or the title of its officers to their respective offices, (b) seeking to prohibit, restrain or enjoin the execution of the related Agreement or the issuance or delivery of its Local Obligation, (c) in any way contesting or affecting the validity or enforceability of such Local Obligation or Agreement or any agreement or instrument relating to any of the foregoing or (d) the undertaking of the Qualified Project. If a Local Government is unable to make such representation, VRA may in its discretion purchase or decline to purchase its Local Obligation.

From time to time, VRA, some Local Governments and other Virginia issuers are targets of legal proceedings challenging the validity of bonds and requesting associated relief. Such proceedings are frequently in the form of validation suits and "whistleblower" actions under the Federal False Claims Act and the Virginia Fraud Against Taxpayers Act. The plaintiffs or complainants often seek the reversal of long-settled legal precedents, most importantly the Virginia Supreme Court's holding in *Dykes*. See "Local Bonds" in the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in Section Two. These proceedings tend to be both protracted and highly publicized but to date have generally been found to be without legal merit. If VRA were to become a party to, or become aware of, any such proceeding that would have a material effect on the security for the 2016C Bonds, VRA would be obligated to make an "event disclosure" as described in the subsection "CONTINUING DISCLOSURE UNDER RULE 15c2-12" in this Section and in Appendix H.

Certain pending litigation involving the City of Petersburg, Virginia, a borrower in the Virginia Pooled Financing Program, is described under the heading "Credit Concerns Regarding Particular Local Governments" in the subsection "INVESTMENT CONSIDERATIONS" in Section Two of this Official Statement.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the 2016C Bonds are subject to the approving opinions of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, which shall be in substantially the form of the letter attached as Appendix F. Such opinions will be furnished at the expense of VRA upon delivery of the 2016C Bonds. Bond Counsel has not verified the accuracy, completeness or fairness of this Official Statement, and such opinions will make no statement of any kind as to this Official Statement and will be limited to matters relating to (a) the authorization and validity of the 2016C Bonds, (b) the tax status of interest on the 2016C Bonds under current federal income tax laws, and (c) the tax status of interest on the 2016C Bonds under current Virginia income tax laws.

Certain legal matters will be passed on for VRA by its Executive Director and General Counsel, Stephanie L. Hamlett, Esquire, and for the Underwriters by their counsel, Troutman Sanders LLP, Richmond, Virginia. In connection with the execution and delivery of the Agreements, certain legal matters will be passed on for the Local Governments by their respective bond counsel and general counsel.

TAX MATTERS

Federal Income Tax Status of Interest on the 2016C Bonds

Bond Counsel's opinion regarding the 2016C Bonds will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by VRA and the 2016C Local Governments, interest on the 2016C Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2016C Bonds) (i) is excludable from the gross income of the owners of the 2016C Bonds for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the 2016C Bonds must be included in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations. See Appendix B for the form of the opinion of Bond Counsel for the 2016C Bonds.

See "Proposed Form of Bond Counsel Opinion" in Appendix F.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2016C Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the 2016C Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of VRA or the 2016C Local Governments or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. VRA and the 2016C Local Governments have covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

As to questions of fact materials to its opinion, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of representatives of VRA and the 2016C Local Governments, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by VRA and the 2016C Local Governments. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2016C Bonds in order for interest on the 2016C Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2016C Bonds and the use of the property financed or refinanced by the 2016C Bonds, limitations on the source of the payment of and the security for the 2016C Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2016C Bonds to the Treasury. Prior to the issuance of the 2016C Bonds, VRA will enter into a tax certificate for the 2016C Bonds (the "Tax Certificate") that contains covenants (the "Covenants") with which VRA has agreed to comply. A failure to comply with the Covenants could cause interest on the 2016C Bonds to become includible in

gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2016C Bonds from becoming includible in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2016C Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2016C Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2016C Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such 2016C Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2016C Bonds.

Prospective purchasers of the 2016C Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2016C Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any 2016C Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2016C Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any 2016C Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a 2016C Bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the 2016C Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement (or, in the case of 2016C Bonds sold on a yield basis, the initial

offering price derived from such yield), but is subject to change based on actual sales. Accrued OID on the 2016C Bonds with OID (the "OID Bonds") is treated as interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the OID accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2016C Bonds, the IRS will, under its current procedures, treat VRA as the taxpayer. As such, the beneficial owners of the 2016C Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2016C Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2016C Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the 2016C Bonds, regulatory interpretation of the Code or actions by a court involving either the 2016C Bonds or other tax-exempt obligations will not have an adverse effect on the 2016C Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the 2016C Bonds.

Prospective purchasers of the 2016C Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

State Tax Treatment of the 2016C Bonds

Bond Counsel's opinion also will state that, under current law, interest on the 2016C Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2016C Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2016C Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2016C Bonds should consult their own tax advisors regarding the tax status of interest on the 2016C Bonds in a particular state or local jurisdiction other than the Commonwealth.

RELATIONSHIP OF PARTIES

Davenport & Company LLC ("Davenport"), financial advisor to VRA, also serves as financial advisor to the County of Fauquier, Virginia, the County of Greene, Virginia, the County of Halifax, Virginia, the City of Lexington, Virginia, Meherrin River Regional Jail Authority and the City of Suffolk, Virginia, each of which is a 2016C Local Government.

McGuireWoods LLP, Richmond, Virginia, Bond Counsel, serves as bond counsel to the City of Suffolk, Virginia, the County of Stafford, Virginia and the County of York, Virginia, each of which is a 2016C Local Government.

McGuireWoods LLP, Richmond, Virginia, Bond Counsel, represents Davenport, the Trustee and each Underwriter from time to time, in matters unrelated to the 2016C Bonds.

Troutman Sanders LLP, Richmond, Virginia, counsel to the Underwriters, represents Davenport from time to time in matters unrelated to the 2016C Bonds.

Troutman Sanders LLP, Richmond, Virginia, also serves as counsel to the Trustee.

LEGALITY FOR INVESTMENT

The Act provides that the 2016C Bonds are legal investments for all public officers and public bodies of the Commonwealth and its political subdivisions, and for insurance companies, banks, trust companies, savings banks, savings associations, building and loan associations, investment companies, guardians, executors, trustees and other fiduciaries. No representation is made as to the legality of the 2016C Bonds for investment or any other purpose under any laws of any other state.

The Act also provides that the 2016C Bonds are eligible to be deposited with all public officers and bodies of the Commonwealth and its political subdivisions for any purpose for which the deposit of Bonds or other obligations of the Commonwealth is now or may be later authorized.

UNDERWRITING OF CERTAIN 2016C BONDS

The 2016C Infrastructure Revenue Bonds are being purchased by Raymond James & Associates, Inc., RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Siebert Cisneros Shank & Co., L.L.C. and Wells Fargo Bank, National Association (collectively, the "Underwriters"). The purchase contract for the 2016C Infrastructure Revenue Bonds sets forth the obligation of the Underwriters to purchase the 2016C Infrastructure Revenue Bonds at a price equal to the aggregate original principal amount of the 2016C Infrastructure Revenue Bonds of $146,095,000.00, less an underwriters' discount of $443,490.43 (0.304% of the principal amount thereof), plus net original issue premium of $20,312,845.35, resulting in a purchase price of $165,964,354.92.

The 2016C Infrastructure Revenue Bonds are being offered for sale to the public at the prices shown on the inside cover pages hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the 2016C Infrastructure Revenue Bonds. The Underwriters may offer and sell the 2016C Infrastructure Revenue Bonds to certain dealers (including dealers depositing the 2016C Infrastructure Revenue Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2016C Infrastructure Revenue Bonds to the public. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2016C Infrastructure Revenue Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

VRA intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the 2016C Infrastructure Revenue Bonds contemplated herein in connection with such Refunded Bonds being redeemed by VRA.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the Issuer

in connection with such activities. In the various courses of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities (both debt and equity), derivatives, loans, commodities, currencies, credit default swaps, interest rate swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of VRA (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with VRA. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

In the ordinary course of their business activities, the Underwriters and their respective affiliates have engaged, and may in the future engage, in transactions with, and perform services for, VRA for which they receive or will receive customary fees and expenses.

Siebert Cisneros Shank & Co., L.L.C. has entered into a separate agreement with Muriel Siebert & Co. for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to this distribution agreement, if applicable to the 2016C Infrastructure Revenue Bonds, Muriel Siebert & Co. will purchase 2016C Infrastructure Revenue Bonds at the original issue price less the selling concession with respect to any 2016C Infrastructure Revenue Bonds that such entity sells. Siebert Cisneros Shank & Co., L.L.C. will share a portion of its underwriting compensation with Muriel Siebert & Co.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the 2016C Infrastructure Revenue Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the 2016C Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2016C Infrastructure Revenue Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2016C Infrastructure Revenue Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

SALE OF 2016C MORAL OBLIGATION BONDS BY COMPETITIVE BIDDING

The 2016C Moral Obligation Bonds were offered for sale at competitive bidding on November 2, 2016, and were awarded to J.P. Morgan Securities LLC (the "Winning Bidder"). The Winning Bidder supplied the information as to the initial offering prices of the 2016C Moral Obligation Bonds as set forth on page (ii) of this Official Statement. The Winning Bidder will be purchasing the 2016C Moral Obligation Bonds at a purchase price equal to the aggregate original principal amount of the 2016C Moral Obligation Bonds of $66,820,000.00, less an underwriter's discount of $471,105.99 (0.705% of the

principal amount thereof), plus net original issue premium of $6,818,628.05, resulting in a purchase price of $73,167,522.06.

CERTIFICATE CONCERNING OFFICIAL STATEMENT FOR WINNING BIDDER

Concurrently with the delivery of the 2016C Moral Obligation Bonds, officials who signed the 2016C Moral Obligation Bonds will certify that, to the best of their knowledge (i) the Official Statement did not as of its date, and does not as of the date of delivery of the 2016C Moral Obligation Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading and (ii) that no litigation is pending or threatened against VRA (A) to restrain or enjoin the issuance or delivery of any of the 2016C Bonds or VRA's collection and application of revenues and assets pledged under the Indenture, (B) in any way contesting or affecting any authority for the issuance or validity of the 2016C Bonds, the execution and delivery by VRA of the Thirty-Seventh Supplemental Indenture or the validity of the Indenture, or (C) in any way contesting the existence or powers of VRA. Such certificate will also state, however, that such officials did not independently verify the information in the Official Statement from sources other than VRA, but that they have no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. However, no such certification shall be made regarding the information contained in the subsection "UNDERWRITING OF CERTAIN 2016C BONDS" in this Section Four.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by Davenport on behalf of VRA relating to forecasted payments of principal and interest to redeem the Refunded Bonds was examined by Bingham Arbitrage Rebate Services, Inc., Richmond, Virginia, as Verification Agent. Such computations were based solely upon assumptions and information supplied by Davenport on behalf of VRA. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

RATINGS

As noted on the cover of this Official Statement, Moody's Investors Services, Inc. and Standard & Poor's Ratings Services have assigned ratings of "Aaa" and "AAA", respectively, to the 2016C Infrastructure Revenue Bonds and "Aa2" and "AA", respectively, to the 2016C Moral Obligation Bonds.

The ratings reflect only the views of the respective rating agencies. Reference should be made to the respective rating agency for a full explanation of the significance of the assigned ratings. VRA furnished to such rating agencies certain information regarding its policies, practices and finances, including information that is not included in this Official Statement. The ratings are not a recommendation to buy, sell or hold the 2016C Bonds and should be evaluated independently. There is no assurance that the ratings will be maintained for any period of time or that the ratings may not be revised downward, suspended or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of the ratings could have an adverse effect on the market price of the 2016C Bonds. Due to the ongoing uncertainty regarding the economy of

the United States, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments and political subdivisions of local governments, such as the 2016C Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the 2016C Bonds.

FINANCIAL ADVISOR

Davenport is employed as a financial advisor to the VRA in connection with the issuance of the 2016C Bonds. The financial advisor's fee for services rendered with respect to the sale of the 2016C Bonds is contingent upon the issuance and delivery of the 2016C Bonds. Davenport, in its capacity as financial advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents provided, agreed to or made by others with respect to the federal income tax status of the 2016C Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Davenport, as the financial advisor to the VRA, has provided the following sentence for inclusion in this Official Statement. Although Davenport has assisted in the preparation of this Official Statement, Davenport is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE UNDER RULE 15c2-12

This offering is subject to the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"). Pursuant to a written agreement entered into for the benefit of the holders of the 2016C Bonds, each of (a) the Commonwealth, (b) VRA and (c) any Local Government that later becomes a Material Local Government will undertake to provide, directly or through an intermediary, specified annual financial information and notice of the events listed in the Rule to the Municipal Securities Rulemaking Board ("MSRB").

Commonwealth Continuing Disclosure. Under a Continuing Disclosure Agreement, the form of which is attached as Appendix G, the Treasurer's Office of the Commonwealth will undertake to provide in the manner indicated above information regarding the Commonwealth. In making timely filings of its Annual Reports for fiscal years 2010-2013, the CUSIP information necessary to link such filings to (i) each series of the Commonwealth Transportation Board's Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes was inadvertently omitted from such filings for fiscal years 2010-2011, and (ii) each series of VRA's Infrastructure Revenue Bonds and Moral Obligation Bonds was inadvertently omitted from such filings for fiscal years 2010-2013. Such filings were otherwise available from the MSRB with respect to other Commonwealth undertakings. The Commonwealth has taken steps to ensure future compliance with its undertakings regarding the Rule.

VRA Continuing Disclosure. As summarized in Appendix H, VRA will undertake in the Thirty-Seventh Supplemental Series Indenture to provide, in the manner indicated above, information regarding VRA.

VRA is aware that it has not complied with certain of its prior continuing disclosure undertakings as described in the following sentence. The operating data for fiscal year 2010 and some operating data for fiscal year 2011 for VRA's bond programs were not timely filed with the MSRB. Promptly upon discovery of the non-timely filings, VRA made remedial filings of such operating data in 2013 and 2014.

Local Government Continuing Disclosure. As summarized in Appendix I, each Local Government will undertake to provide, in the manner indicated above, information regarding such Local Government, but only upon notification by VRA that as of June 30 of any year, such Local Government met the objective criteria set forth in its undertaking to be a Material Local Government. A Local Government constitutes a "Material Local Government" if the aggregate principal amount of the Local Obligations previously issued and outstanding and to be issued by such Local Government is equal to or greater than 15% of the aggregate principal amount of all Local Obligations purchased with the proceeds of the Bonds. As of the date hereof, no Local Government qualifies as a Material Local Government, and no Local Government has qualified as a Material Local Government within the past five years.

The right of the Trustee and the holders to enforce the undertakings described in this subsection is limited to the right to compel performance of the respective obligations of the Commonwealth, VRA and any Material Local Government. Any failure of the Commonwealth, VRA or any Material Local Government to comply with its respective obligations will not give rise to an Event of Default under the Master Indenture, the Agreements or the Financing Leases, respectively.

The obligations of the Commonwealth, VRA and any Material Local Government to provide continuing disclosure are limited to providing specified information at specific times, which may not provide all information material to an evaluation of such entity's financial condition or other matters affecting an investment in the 2016C Bonds.

The Commonwealth, VRA and any Material Local Government may from time to time disclose certain information and data in addition to that required by the Rule. If the Commonwealth, VRA and any Material Local Government choose to provide such additional information or data, they shall have no obligation to continue to update such information or data or to include it in any future disclosure filing.

APPROVAL OF OFFICIAL STATEMENT

VRA has furnished all information in this Official Statement relating to VRA and has duly authorized the execution and distribution of this Official Statement.

Certain financial information of the Commonwealth is on file with the MSRB and included in this Official Statement, all as more fully described in Appendices B, C and D.

Any statements in this Official Statement involving matters of opinion or of estimates, regardless of whether expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of the estimates will be realized. VRA has deemed this Official Statement final as of its date within the meaning of the Rule.

VIRGINIA RESOURCES AUTHORITY

By: */s/ Stephanie L. Hamlett*
Stephanie L. Hamlett, Executive Director

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APPENDIX A
DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following contains certain definitions and a brief summary of certain provisions contained in the Master Indenture and the Thirty-Seventh Supplemental Series Indenture of Trust and does not purport to be a complete statement of all of the provisions of those documents. Reference is made to the Master Indenture and the First through Thirty-Seventh Supplemental Series Indentures in their entirety for complete information on their terms and on the terms of the Infrastructure Revenue Bonds and Moral Obligation Bonds, the applicable security provisions and the application of pledged revenues.

Definitions of Certain Terms

Unless defined above in this Official Statement, all capitalized terms used in this Appendix have the meanings set forth below.

"Account" means any account established pursuant to the terms of the Master Indenture or any Supplemental Series Indenture.

"Acquisition Fund" means the Acquisition Fund for a Series of Bonds to be established by the Related Supplemental Series Indenture.

"Act" means the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Virginia Code.

"Administrative Charge" means any fees or charges established by VRA pursuant to Section 62.1-203(17) of the Act with respect to a Local Obligation, as the same may be revised from time to time and as the same shall be set forth in the Related Supplemental Series Indenture.

"Agreement," when used with respect to any Series of Bonds, means the loan, financing lease, sale-leaseback, lease-leaseback or similar agreement between a Local Government and VRA, as modified, altered, amended and supplemented from time to time in accordance with its terms and the terms of the Master Indenture, which agreement will govern the acquisition by VRA of the Related Local Obligation, among other things.

"Amortization Requirement," as applied to any Term Bonds of any maturity for any Bond Year, means the principal amount or amounts fixed by, or computed in accordance with the terms of, the Related Supplemental Series Indenture for the retirement of such Term Bonds by mandatory purchase or redemption on the Principal Payment Date or Dates established by such Supplemental Series Indenture.

"Bond" or **"Bonds"** means any or all of the Infrastructure Revenue Bonds and Moral Obligation Bonds of VRA issued pursuant to Article V of the Master Indenture, but excludes Junior Subordinate Debt.

"Bond Counsel" means counsel selected by VRA which is nationally recognized as experienced in matters relating to obligations issued or incurred by states and their political subdivisions.

"Bond Credit Facility" means a line of credit, letter of credit, standby bond purchase agreement, municipal bond insurance or similar credit enhancement or liquidity facility established to provide credit or liquidity support for all or any portion of a Series of Bonds as provided in the Related Supplemental Series Indenture.

"Bond Credit Provider" means, as to all or any portion of a Series of Bonds, the Person providing a Bond Credit Facility, as designated in the Related Supplemental Series Indenture in respect of such Bonds.

"Bond Year" means the 12 month period commencing on the second day of November of any calendar year and ending on the first day of November of the next ensuing calendar year, or such other twelve-month period commencing and ending on the dates specified with respect to a Series of Bonds in the Related Supplemental Series Indenture. The first and last Bond Years with respect to any Series of Bonds may be short periods.

"Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banking institutions generally are open for business in New York and Virginia.

"Capital Appreciation Bonds" means Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in the Related Supplemental Series Indenture and is payable upon redemption or on the maturity date of such Bonds or on the date, if any, upon which such Bonds become Current Interest Bonds.

"Capital Reserve Fund" means the Capital Reserve Fund established pursuant to the Master Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, as in effect upon the issuance of and thereafter applicable to any Series of Bonds and the regulations of the United States Department of the Treasury promulgated thereunder as in effect upon the issuance of and thereafter applicable to any Series of Bonds.

"Commonwealth" means the Commonwealth of Virginia.

"Cost of Issuance Fund" means the Cost of Issuance Fund for a Series of Bonds to be established by the Related Supplemental Series Indenture.

"CRF Credit Facility" means a letter of credit, surety bond or similar credit enhancement facility acquired by VRA to substitute for cash or investments required to be held in the Capital Reserve Fund.

"CRF Credit Provider" means the Person providing a CRF Credit Facility.

"CRF Reserve Requirement" means an amount equal to the maximum Principal and Interest Requirements on the Moral Obligation Bonds Outstanding in the then current or any future Bond Year or such larger amount as may be specified in a Supplemental Series Indenture. For purposes of establishing the size of the CRF Reserve Requirement, the Principal and Interest Requirements on Moral Obligation Bonds which are Optional Tender Bonds and/or Variable Rate Bonds shall be determined or adjusted as set forth in the section titled "Modification of Certain Definitions" in the Master Indenture.

"Current Interest Bonds" means Bonds the interest on which is payable currently on the Interest Payment Dates provided therefor in the Related Supplemental Series Indenture.

"Custodian" means a bank or trust company that is (i) organized and existing under the laws of the United States or any of its states and (ii) acceptable to the Trustee.

"Defaulted Local Obligations" means any Local Obligations in default of payment of debt service at the time in question.

"Defeasance Obligations" means noncallable (i) Government Obligations, (ii) Government Certificates, (iii) Defeased Municipal Obligations, and (iv) Defeased Municipal Obligation Certificates.

"Defeased Municipal Obligation Certificate" means evidence of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a Custodian.

"Defeased Municipal Obligations" means obligations of the Commonwealth or any county, city, town, district, authority, agency, political subdivision or other public body of the Commonwealth, which are rated in the highest rating category by any Rating Agency, provision for the payment of the principal of and interest on which has been made by the deposit with a trustee or escrow agent of Government Obligations or Government Certificates, the maturing principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations.

"Escrow Fund" means an escrow fund relating to a Series of Refunding Bonds that may be established pursuant to the Related Supplemental Series Indenture.

"Event of Default" means any of the events enumerated in the section titled "Events of Default" in the Master Indenture.

"Fund" means any fund established pursuant to the terms of the Master Indenture or any Supplemental Series Indenture.

"Government Certificates" mean certificates representing ownership of United States Department of the Treasury bond principal at maturity or interest coupons for accrued periods, which bonds or coupons are held in the capacity of custodian by a Custodian that is independent of the seller of such certificates.

"Government Obligations" mean direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States.

"Infrastructure Revenue Bond Debt Service Coverage" shall have the meaning assigned to it in the definition of Projected Revenue Certificate.

"Infrastructure Revenue Bond Revenue Coverage" shall have the meaning assigned to it in the definition of Projected Revenue Certificate.

"Infrastructure Revenue Bond Revenues" means, collectively, the ORF Revenues, the Administrative Charges and the Rebate Amounts.

"Infrastructure Revenue Bonds" means any VRA Debt issued by VRA pursuant to Article V of the Master Indenture and identified as "Infrastructure Revenue Bonds" in the Related Supplemental Series Indenture. Infrastructure Revenue Bonds are secured by a pledge of and lien on (i) the Revenues senior and superior to the pledge of and lien on the Revenues securing the Moral Obligation Bonds and (ii) Infrastructure Revenue Bond Revenues. Infrastructure Revenue Bonds are not secured by the Capital Reserve Fund.

"Infrastructure Revenue Debt Service Fund" means the Infrastructure Revenue Debt Service Fund established pursuant to the Master Indenture.

"Infrastructure Revenue Debt Service Reserve Fund" means the Infrastructure Revenue Debt Service Reserve Fund established pursuant to the Master Indenture.

"Infrastructure Revenue DSRF Credit Facility" means a letter of credit, surety bond or similar credit enhancement facility acquired by VRA to substitute for cash or investments required to be held in the Infrastructure Revenue Debt Service Reserve Fund.

"Infrastructure Revenue DSRF Credit Provider" means the Person providing an Infrastructure Revenue DSRF Credit Facility.

"Infrastructure Revenue DSRF Requirement" means $0 or such larger amount as may be specified in a Supplemental Series Indenture.

"Interest Payment Date" means a November 1 or May 1, as the case may be; provided, however, that "Interest Payment Date" may mean, if so provided in a Supplemental Series Indenture, such other date or dates provided therein or permitted thereby.

"Interest Requirement" for any Interest Payment Date, as applied to all of the Current Interest Bonds or a portion thereof, means the total of the interest regularly scheduled to become due on such Bonds on such Interest Payment Date. Interest expense shall be excluded from the definition of Interest Requirement to the extent that proceeds of any Bonds are held by the Trustee to pay such interest. Unless VRA shall otherwise provide in a Supplemental Indenture, interest expense on Bond Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of an Interest Requirement.

"Junior Subordinate Debt" means VRA Debt that is secured by a pledge of revenues, money and other property of VRA expressly made subordinate to the pledge of the Revenues, Infrastructure Revenue Bond Revenues, Funds and Accounts and other property securing the Bonds of all Series set forth in the article titled "Establishment of Trust" in the Master Indenture.

"Local Account" means any Account established pursuant to a Supplemental Series Indenture in a Fund or Account with respect to a Local Government.

"Local Government(s)" means any "local government" (as defined in Section 62.1-199 of the Act) entering into an Agreement and its permitted successors and assigns under such Agreement.

"Local Obligation Payments" means the amounts payable by each Local Government pursuant to the terms of its Local Obligation or Obligations.

"Local Obligation(s)" means the "local obligation" (within the meaning of Section 62.1-199 of the Act) issued or entered into by a Local Government and acquired by the VRA or the Trustee pursuant to the Related Agreement and financed with the proceeds of a Series of Bonds and/or other amounts on deposit in the Related Acquisition Fund.

"Majority Owners" means the Owners of at least 51% of the aggregate principal amount of the Infrastructure Revenue Bonds or the Moral Obligation Bonds Outstanding, as applicable.

"Master Indenture" means the Master Indenture of Trust dated as of December 1, 2003, between VRA and the Trustee, as the same may be modified, altered, amended and supplemented in accordance with its terms by one or more Supplemental Series Indentures and other Supplemental Indentures.

"Minimum Balance" means the minimum amount, which, if applied as the clause (b)(2) amount in the definition of Projected Revenue Certificate, assuming all other amounts are fixed, would result in Infrastructure Revenue Bond Debt Service Coverage equal to at least the Required Infrastructure Revenue Bond Debt Service Coverage.

"Minimum CRF Reserve Requirement" means an amount equal to the CRF Reserve Requirement or such lesser amount as may be established by VRA pursuant to the Master Indenture.

"Moral Obligation Bonds" means any VRA Debt issued by VRA pursuant to the Master Indenture and identified as "Moral Obligation Bonds" in the Related Supplemental Series Indenture. Moral Obligation Bonds are secured by a pledge of and lien on the Revenues junior and subordinate to the pledge and lien securing the Infrastructure Revenue Bonds. Moral Obligation Bonds are secured by the Capital Reserve Fund.

"Moral Obligation Debt Service Fund" means the Moral Obligation Debt Service Fund established pursuant to the Master Indenture.

"Officer's Certificate" means a certificate signed by a VRA Representative and filed with the Trustee.

"Operating Reserve Fund" means the Operating Reserve Fund established pursuant to the Master Indenture.

"Opinion" or **"Opinion of Counsel"** means a written opinion of any attorney or firm of attorneys, who or which may be Bond Counsel or counsel for VRA or the Trustee.

"Optional Tender Bonds" means any Bonds issued under the Master Indenture a feature of which is an option on the part of the Owners of such Bonds to tender to VRA, or to the Trustee, any Paying Agent or other fiduciary for such Owners, or to an agent of any of the foregoing, all or a portion of such Bonds for payment or purchase.

"ORF Revenues" means investment earnings on amounts in the Operating Reserve Fund.

"Outstanding," when used in reference to the Bonds and as of a particular date, means all Bonds authenticated and delivered under the Master Indenture except:

(a) Any Bond canceled or required to be canceled by the Trustee at or before such date;

(b) Any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered under the Master Indenture;

(c) Any Bond deemed paid under Article XII of the Master Indenture except that any such Bond shall be considered Outstanding until its maturity or redemption date only for the purpose of actually being paid and for purposes of Articles III and IV and Section 6.1 in the Master Indenture (or the corresponding provisions of the Related Supplemental Series Indenture, as the case may be); and

(d) Any Bond not deemed Outstanding under, but only to the extent provided for in the section titled "Supplemental Indentures Requiring Consent" in the Master Indenture.

"Owner" means the registered owner of any Bond.

"Paying Agent or Paying Agents" means any paying agent(s) for the Bonds (which may include the Trustee) and any successor or successors as paying agent(s) appointed pursuant to the Master Indenture or the provisions of any Supplemental Series Indenture. Unless otherwise provided in a Supplemental Series Indenture, the Trustee shall be the Paying Agent.

"Payment Date" means a date that is an Interest Payment Date or a Principal Payment Date or both.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

"Principal" means (i) with respect to a Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except when used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default in which case "principal" means the initial public offering price of the Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of an Amortization Requirement, if applicable, or at maturity.

"Principal and Interest Requirements" for any Payment Date or for any period means the sum of the Principal Requirements and the Interest Requirements for such date or such period, respectively.

"Principal Payment Date" means a November 1 upon which the principal amount of any Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of an Amortization Requirement or such other date or dates as may be provided by the Related Supplemental Series Indenture.

"Principal Requirement" means for any Principal Payment Date, as applied to all Bonds or a portion thereof, the total of the principal regularly scheduled to become due on such Principal Payment Date. Principal payments shall be excluded from the definition of Principal Requirement to the extent that proceeds of any Bonds are held by the Trustee to pay such Principal. Unless VRA shall otherwise provide in a Supplemental Indenture, principal payments on Bond Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such principal exceeds the principal otherwise payable on such Bonds, shall not be included in the determination of a Principal Requirement.

"Projected Revenue Certificate" means an Officer's Certificate setting forth, as of any particular date:

(a) A schedule of estimated amounts of the following types of Revenues to be available in the then-current and each future Bond Year for the payment of the Principal and Interest Requirements of all of the Bonds and the Administrative Charges:

(i) Scheduled Local Obligation Payments except on Defaulted Local Obligations;

(ii) Income receivable from the investment of amounts from time to time held in the Infrastructure Revenue Debt Service Reserve Fund and the Capital Reserve Fund;

(iii) Amounts scheduled to be released from the Infrastructure Revenue Debt Service Reserve Fund or the Capital Reserve Fund as a result of the payment at maturity or pursuant to the Amortization Requirements of the Bonds Outstanding and, if applicable, then to be issued; and

(iv) Any other amounts identified as Revenues in the Projected Revenue Certificate and in a Supplemental Indenture, if there is filed with the Trustee written confirmation from each Rating Agency that the inclusion thereof will not result in the withdrawal or reduction of its then-current rating on any of the Bonds Outstanding.

(b) A schedule of estimated amounts of the following sources to be available in the then-current and each future Bond Year for the payment of the Principal and Interest Requirements of the Infrastructure Revenue Bonds.

(i) ORF Revenues;

(ii) Amounts, if any, which are or will be on deposit in the Operating Reserve Fund; and

(iii) Any other revenues or amounts identified in the Projected Revenue Certificate and in a Supplemental Indenture as Infrastructure Revenue Bond Revenues or Fund balances available for the payment of the Principal and Interest Requirements of the Infrastructure Revenue Bonds, if there is filed with the Trustee written confirmation from each Rating Agency that the inclusion thereof will not result in the withdrawal or reduction of its then-current rating on any of the Infrastructure Revenue Bonds Outstanding.

(c) A schedule of the Principal and Interest Requirements and all Administrative Charges scheduled to become due and payable on each Payment Date in the then-current and each future Bond Year with respect to all Bonds Outstanding and, if applicable, then to be issued.

(d) A schedule of the Principal and Interest Requirements scheduled to become due and payable on each Payment Date in the then-current and each future Bond Year with respect to all Infrastructure Revenue Bonds Outstanding and, if applicable, then to be issued.

(e) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements and Administrative Charges set forth in clause (c) for the same Bond Year ("Revenue Coverage").

(f) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements set forth in clause (d) for the same Bond Year ("Infrastructure Revenue Bond Revenue Coverage").

(g) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i) and (iii) and the Fund balances set forth in clause (b)(ii) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and

Interest Requirements set forth in clause (d) for the same Bond Year ("Infrastructure Revenue Bond Debt Service Coverage").

(h) In projecting the foregoing, VRA shall make the following assumptions: (i) Revenues set forth in clause (a) that are scheduled to be retained in the Revenue Fund pursuant to paragraph "SEVENTH" in the section titled "Revenue Fund" in the Master Indenture shall be reflected as Revenues only with respect to the Payment Dates on which the Trustee is to be directed to apply such retained amounts; (ii) invested funds shall yield an investment return equal to the actual return at the time of the projection net of any Rebate Amounts to be paid therefrom and shall be invested until such time as they are to be applied to the purpose for which they are accumulated; (iii) no Local Obligations will be purchased or acquired by VRA after the date of the Projected Revenue Certificate; and (iv) Administrative Charges shall be collected for the remaining term of each Local Obligation at the rate or rates in effect at the time of the calculation. VRA must use a special set of assumptions set forth in the Master Indenture in preparing a Projected Revenue Certificate if any of the Bonds or Local Obligations to be covered thereby are Optional Tender Bonds and/or Variable Rate Bonds.

"Purchase Price" means the purchase price established in any Supplemental Series Indenture for Optional Tender Bonds as the purchase price to be paid for such Bonds upon an optional or mandatory tender of all or a portion of such Bonds.

"Rating Agency" means, with respect to any Bonds Outstanding, any nationally recognized credit rating agency if and for so long as such rating agency, at the request of VRA, maintains a rating on such Bonds.

"Rebate Amount" means the liability of VRA and/or the Related Local Governments under Section 148 of the Code (including any "yield reduction payments") with respect to any Series of Bonds as may be calculated or specified (including with such reserves or error margin as VRA may deem appropriate) in accordance with the Related Supplemental Series Indenture or the Related Tax Regulatory Agreement.

"Rebate Fund" means the Rebate Fund for a Series of Bonds to be established by the Related Supplemental Series Indenture.

"Refunding Bonds" shall have the meaning set forth under the heading "Issuance of Bonds" below.

"Reimbursement Fund" means the Reimbursement Fund Related to a Series of Bonds that may be established by the Related Supplemental Series Indenture.

"Reimbursement Obligations" means any reimbursement or payment obligations of VRA for which moneys in the Reimbursement Fund are pledged or payable pursuant to the provisions of the Master Indenture or any Supplemental Series Indenture.

"Related," as the context may require, means (i) when used with respect to any Cost of Issuance Fund, Acquisition Fund, Rebate Fund or Reimbursement Fund, or any Account or subaccount within any such Fund, the Fund, Account or subaccount so designated and established by the Related Supplemental Series Indenture authorizing a particular Series of Bonds, (ii) when used with respect to a Supplemental Series Indenture, the Supplemental Series Indenture authorizing a particular Series of Bonds, (iii) when used with respect to Local Obligations, the Local Obligations acquired or entered into with respect to a particular Series of Bonds, and (iv) when used with respect to a Bond Credit Facility or Reimbursement

Obligation, the Bond Credit Facility securing a particular Series of Bonds and the Reimbursement Obligation entered into in connection therewith.

"Required Revenue Coverage" means 100% or such higher percentage as may be specified in a Supplemental Series Indenture.

"Required Infrastructure Revenue Bond Debt Service Coverage" means 100% or such higher percentage as may be specified in a Supplemental Series Indenture.

"Required Infrastructure Revenue Bond Revenue Coverage" means 100% or such higher percentage as may be specified in a Supplemental Series Indenture.

"Reserve Determination Date" means (i) the tenth day after each Interest Payment Date, or, if such day is not a Business Day, on the first Business Day thereafter or (ii) any other date set forth in a Supplemental Series Indenture or an Officer's Certificate for the valuation of the Infrastructure Revenue Debt Service Reserve Fund and/or the Capital Reserve Fund.

"Revenue Coverage" shall have the meaning assigned to it in the definition of Projected Revenue Certificate.

"Revenue Fund" means the Revenue Fund established by the Master Indenture.

"Revenues" means (i) the Local Obligation Payments, (ii) any proceeds of any Series of Bonds originally deposited with the Trustee for the payment of accrued interest thereon, (iii) investment earnings on amounts in the Revenue Fund, the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund, the Moral Obligation Debt Service Fund and the Capital Reserve Fund, (iv) amounts released from the Infrastructure Revenue Debt Service Reserve Fund or the Capital Reserve Fund as a result of the payment at maturity, refunding, redemption or defeasance of Bonds and (v) any or all other revenues that may be identified as Revenues pursuant to a Supplemental Indenture; provided, however, that the following shall not be included in Revenues unless specifically authorized to be so included in a Supplemental Indenture: (i) Infrastructure Revenue Bond Revenues; (ii) any amounts in, or earnings on, a Rebate Fund; and (iii) any payments made by VRA or the Commonwealth to replenish the Capital Reserve Fund under Section 62.1-215 of the Act.

"Serial Bonds" means the Bonds of a Series that are stated to mature in semiannual or annual installments and that are so designated in the Related Supplemental Series Indenture.

"Series" means all of the Bonds of a particular series authenticated and delivered pursuant to the Master Indenture and the Related Supplemental Series Indenture and identified as such pursuant to such Supplemental Series Indenture, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture and such Supplemental Series Indenture, regardless of variations in lien status, maturity, interest rate, sinking fund installments or other provisions. A Series may be a combination of Infrastructure Revenue Bonds and Moral Obligation Bonds or consist entirely of Infrastructure Revenue Bonds or Moral Obligation Bonds, all as shall be specified in the Related Supplemental Series Indenture.

"Supplemental Indenture" means any indenture supplementary to or amendatory of the Master Indenture or any Supplemental Indenture or Supplemental Series Indenture now or hereafter duly executed and delivered in accordance with the provisions of the Master Indenture, including a Supplemental Series Indenture.

"Supplemental Series Indenture" means a Supplemental Indenture providing for the issuance of a Series of Bonds, as such Supplemental Series Indenture may be modified, altered, amended and supplemented by a Supplemental Indenture in accordance with the provisions of the Master Indenture.

"Tax Regulatory Agreement" means, with respect to any Series of Bonds, the Tax Certificate and Regulatory Agreement, dated the date of the issuance of the Related Series of Bonds, between VRA and the Trustee, as the same may be modified, altered, amended or supplemented pursuant to its terms.

"Term Bonds" means all or some of the Bonds of a Series, other than Serial Bonds, that shall be stated to mature on one or more dates and that are so designated in the Related Supplemental Series Indenture.

"Trustee" means U.S. Bank National Association, a national banking association, as successor trustee to SunTrust Bank, and any successors serving in the same capacity under the Master Indenture.

"Variable Rate Bonds" means any Bonds the interest rate on which is not established, at the time such Bonds are issued, at a single numerical rate for the entire term of the Bonds.

"Virginia Code" means the Code of Virginia of 1950, as amended.

"VRA" means the Virginia Resources Authority, a public body corporate and a political subdivision of the Commonwealth.

"VRA Debt" means "bonds" of VRA as defined in Section 62.1-199 of the Act.

"VRA Representative" means any of the Chairman, Vice Chairman or Executive Director of VRA and any other member, officer or employee of VRA authorized by resolution of VRA's Board of Directors to perform the act or sign the document in question.

Establishment of Trusts

Security for Infrastructure Revenue Bonds. (a) In order to provide for the payment of the principal of and the premium, if any, and interest on the Infrastructure Revenue Bonds of all Series issued under the Master Indenture, and to secure the performance of all of the obligations of VRA with respect to the Infrastructure Revenue Bonds, the Master Indenture and the Supplemental Series Indentures, VRA pledges and grants to the Trustee a security interest in the following:

(i) All of the Revenues and the Infrastructure Revenue Bond Revenues;

(ii) The Local Obligations and Agreements;

(iii) The amounts, money, investments and Infrastructure Revenue DSRF Credit Facilities, if any, held by the Trustee and the Paying Agent pursuant to the terms of the Master Indenture in the Revenue Fund, the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund, and the Operating Reserve Fund; and

(iv) All other property of any kind mortgaged, pledged or hypothecated to provide for the payment of or to secure the Infrastructure Revenue Bonds of all Series by VRA or by anyone on its behalf and with its written consent at any time as and for additional security under the Master Indenture and the Supplemental Series Indentures in favor of the Trustee, which is

authorized to receive all such property at any time and to hold and apply it subject to the terms of the Master Indenture and the Supplemental Series Indentures.

Any of the Revenues, Infrastructure Revenue Bond Debt Service Coverage, Funds and Accounts or other property described above that is received or held by the Trustee is to be held in trust for the equal and proportionate benefit and security of the Owners from time to time of the Infrastructure Revenue Bonds of all Series, except as otherwise provided in, and subject to its application in accordance with the terms of, the Master Indenture and the Supplemental Series Indentures.

Security for Moral Obligation Bonds. In order to provide for the payment of the principal of and the premium, if any, and interest on the Moral Obligation Bonds of all Series issued under the Master Indenture, and to secure the performance of all of the obligations of VRA with respect to the Moral Obligation Bonds, the Master Indenture and the Supplemental Series Indentures, VRA pledges and grants to the Trustee a security interest in the following:

(a) All of the Revenues;

(b) The Local Obligations and Agreements;

(c) The amounts, money, investments and CRF Credit Facilities, if any, held by the Trustee and the Paying Agent pursuant to the terms of the Master Indenture in the Revenue Fund, the Moral Obligation Debt Service Fund and the Capital Reserve Fund; and

(d) All other property of any kind mortgaged, pledged or hypothecated to provide for the payment of or to secure the Moral Obligation Bonds of all Series by VRA or by anyone on its behalf and with its written consent at any time as and for additional security under the Master Indenture and the Supplemental Series Indentures in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply it subject to the terms of the Master Indenture and the Supplemental Series Indentures.

VRA's pledge and grant of the security interest in the Revenues and the Local Obligations and Agreements to secure the Moral Obligation Bonds is in all respects junior and subordinate to the pledge and grant securing the Infrastructure Revenue Bonds. The Infrastructure Revenue Bond Revenues shall not secure the Moral Obligation Bonds unless Infrastructure Revenue Bond Revenues are expressly included in Revenues pursuant to a Supplemental Indenture. Notwithstanding the foregoing, however, only the Moral Obligation Bonds shall be secured and paid from amounts in the Moral Obligation Debt Service Fund and the Capital Reserve Fund. Any of the Revenues, Funds and Accounts, or other property described above that is received or held by the Trustee is to be held in trust for the equal and proportionate benefit and security of the Owners from time to time of the Moral Obligation Bonds of all Series, except as otherwise provided in, and subject to its application in accordance with the terms of, the Master Indenture and the Supplemental Series Indentures.

Bond Credit Facility. Any Bond Credit Facility which is given to secure some, but not all, of the Bonds, together with money drawn or paid under it, shall be held by the Trustee solely as security for the Bonds to which such Bond Credit Facility is Related. Neither such Bond Credit Facility nor any money drawn or paid under it will secure the payment of any other Bonds.

Issuance of Bonds

All Infrastructure Revenue Bonds of each Series issued and to be issued under the Master Indenture, respectively, are and are to be, to the extent provided in and subject to the Master Indenture

and Related Supplemental Series Indenture, equally and ratably secured by the Master Indenture and the Related Supplemental Series Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption of the Infrastructure Revenue Bonds of such Series, or any of them. In addition, all Moral Obligation Bonds of each Series issued and to be issued under the Master Indenture, respectively, are and are to be, to the extent provided in and subject to the Master Indenture and the Related Supplemental Series Indenture, equally and ratably secured by the Master Indenture and the Related Supplemental Series Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption of the Moral Obligation Bonds of such Series, or any of them.

In connection with the issuance of additional Bonds, VRA is required to file, among other things, the following documents with the Trustee:

(a) An original executed counterpart of the Related Supplemental Series Indenture which may include provisions (i) authorizing the issuance, fixing the principal amount and setting forth the details of the Bonds of the Series then to be issued, including identifying which Bonds within the Series are Infrastructure Revenue Bonds and which are Moral Obligation Bonds, the interest rate or rates and the manner in which the Bonds are to bear interest, the Principal and Interest Payment Dates of the Bonds, the purposes for which the Bonds are being issued, the date and the manner of numbering the Bonds, the series designation, the denominations, the maturity dates and amounts, the Amortization Requirements or the manner for determining such Amortization Requirements, and any other provisions for redemption before maturity; (ii) for Bond Credit Facilities for the Series and for Local Accounts and other Accounts and subaccounts to be established with respect to the Bonds within the Funds and Accounts established under the Master Indenture; (iii) for the application of the proceeds of the Bonds of the Series; (iv) necessary or expedient for the issuance of Bonds constituting Variable Rate Bonds or Optional Tender Bonds, including without limitation, tender and remarketing provisions, liquidity facility provisions and provisions for establishing the variable rate and changing interest rate modes; (v) for the amount, if any, to be deposited into the Infrastructure Revenue Debt Service Reserve Fund, which will be an amount at least sufficient to cause to be on deposit in the Infrastructure Revenue Debt Service Reserve Fund the Infrastructure Revenue DSRF Reserve Requirement for the Outstanding Infrastructure Revenue Bonds and the Infrastructure Revenue Bonds of the Series then to be issued; (vi) for the amount, if any, to be deposited into the Capital Reserve Fund, which will be an amount at least sufficient to cause to be on deposit in the Capital Reserve Fund the CRF Reserve Requirement for the Outstanding Moral Obligation Bonds and the Moral Obligation Bonds of the Series then to be issued; and (vii) for such other matters as VRA may deem appropriate;

(b) A certified copy of each resolution adopted by VRA's Board of Directors authorizing the execution and delivery of the Related Supplemental Series Indenture and any Related Reimbursement Obligation and the issuance, sale, execution and delivery of the Series of Bonds then to be issued;

(c) Original executed counterparts of the Related Tax Regulatory Agreement, any Related Bond Credit Facility and any Related Reimbursement Obligation;

(d) A Projected Revenue Certificate, dated the date of delivery of the Bonds of the Series then to be issued, giving effect to the issuance of such Series of Bonds and showing for each Bond Year (i) Revenue Coverage equal to at least the Required Revenue Coverage, (ii) Infrastructure Revenue Bond Revenues equal to at least Required Infrastructure Revenue Bond Revenues and (iii) Infrastructure Revenue Bond Revenue Coverage equal to at least the Required Infrastructure Revenue Bond Revenue Coverage;

(e) Evidence satisfactory to the Trustee that the amount on deposit in the Operating Reserve Fund is at least equal to the Minimum Balance as of the date of delivery of the Bonds of the Series then to be issued;

(f) If the Bonds of the Series then to be issued are to be issued to refund Bonds issued and outstanding under the Master Indenture ("Refunding Bonds"):

(i) Evidence satisfactory to the Trustee that VRA has made provision as required by the Master Indenture for the payment or redemption of all Bonds to be refunded; and

(ii) A written determination by a knowledgeable professional, including VRA's financial advisor but excluding any employee of VRA, or by a firm of independent certified public accountants that the proceeds (excluding accrued interest) of the Refunding Bonds, together with any other money to be deposited for such purpose with the Trustee in the Related Escrow Fund or otherwise upon the issuance of the Refunding Bonds and the investment income to be earned on funds held by the Trustee for the payment or redemption of Bonds to be refunded, will be sufficient to pay, whether upon redemption or at maturity, the principal of and premium, if any, and interest on the Bonds to be refunded and the estimated expenses incident to the refunding.

(g) An opinion of Bond Counsel to the effect that the Bonds of the Series then to be issued have been duly authorized, that all conditions precedent to the issuance thereof have been fulfilled and that such Bonds are valid and legally binding limited obligations of VRA, and are secured by the Master Indenture and the Related Supplemental Series Indenture to the extent provided;

(h) An Officer's Certificate, dated the date of delivery of the Bonds of the Series then to be issued, to the effect that to the best of the knowledge of the signatory, upon and immediately following such delivery, no Event of Default under the Master Indenture or any Supplemental Series Indenture with respect to any Series of Bonds Outstanding will have occurred and be continuing;

(i) A written order and authorization to the Trustee on behalf of VRA, signed by a VRA Representative, to authenticate and deliver the Bonds of the Series then to be issued to or upon the order of the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price (including accrued interest, if any) of such Series of Bonds; and

(j) Any additional document or instrument specified in the Related Supplemental Series Indenture.

Modification of Certain Definitions. (a) In the case of the following described types of Bonds, the definition of the term "Principal and Interest Requirements" for the purposes of (i) preparing and delivering a Projected Revenue Certificate and (ii) establishing the sizes of the Infrastructure Revenue DSRF Requirement, the CRF Reserve Requirement and the Minimum CRF Reserve Requirement shall be modified as follows:

(A) Optional Tender Bonds. (1) If any of the Outstanding Bonds or additional Bonds of the Series then to be issued constitute Optional Tender Bonds, then the options of the Owners of such Bonds to tender the same for payment prior to their stated maturity or maturities shall be disregarded, (2) if such Bonds also constitute Variable Rate Bonds, VRA shall also make the adjustments described in subsection (a)(ii)(B) below, and (3) any obligation VRA may have, other than its obligation on such additional Bonds (which need not be uniform as

to all Owners thereof), to reimburse any Person for its having extended a Bond Credit Facility shall be disregarded.

(B) Variable Rate Bonds. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Variable Rate Bonds, then the interest rate used in the above-described computations shall be the greater of (i) the interest rate on any additional Bonds issued as Variable Rate Bonds for the first period of calculation of such interest and (ii) the weighted average interest rate at which VRA could reasonably expect to have borrowed on the date of issuance of such Bonds by issuing such Bonds with a fixed rate or rates of interest. VRA's reasonable expectation shall be established by an Officer's Certificate and a letter of a knowledgeable professional, including VRA's financial advisor, confirming the interest rate expectation as reasonable. The conversion of Bonds constituting Variable Rate Bonds to bear interest at a fixed rate or rates or vice-versa, in accordance with their terms, shall not constitute a new issuance of Bonds under the Master Indenture.

(b) The requirements and provisions of the Master Indenture governing Projected Revenue Certificates shall also be modified as set forth in subsection (a) above as may be necessary or appropriate for Local Obligations that are or will be Related to Optional Tender Bonds or Variable Rate Bonds.

Junior Subordinate Debt. VRA may authorize and issue Junior Subordinate Debt for any lawful purpose payable from the revenues, money and other property pledged under the Master Indenture subject and subordinate to the payment of any Bonds or from securing any Junior Subordinate Debt and its payment by a lien and pledge of the revenues, money and other property pledged under the Master Indenture junior and inferior to the lien and pledge granted by the Master Indenture for the payment and security of Bonds. The resolutions and documents providing for the issuance or incurrence of any Junior Subordinate Debt shall provide that no remedies upon an event of default thereunder may be exercised so long as any Infrastructure Revenue Bonds or Moral Obligation Bonds remain Outstanding.

Establishment of Funds and Accounts

The following funds are established under the Master Indenture as follows:

Establishment and Custody of Pledged Funds for All Series of Bonds. With respect to and for the benefit of all Bonds there is, under the Master Indenture, established to be held by the Trustee the Revenue Fund. The Master Indenture provides that, the Revenue Fund is pledged, subject to the limitations within the Master Indenture, as security for all Bonds issued and Outstanding under the Master Indenture. With respect to and for the benefit of the Infrastructure Revenue Bonds of each Series there is established to be held by the Trustee the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund and the Operating Reserve Fund. These three Funds are pledged as security for all Infrastructure Revenue Bonds issued and Outstanding under the Master Indenture. With respect to and for the benefit of the Moral Obligation Bonds of each Series there is established to be held by the Trustee the Moral Obligation Debt Service Fund and the Capital Reserve Fund. The Master Indenture provides that both of these Funds are pledged, subject to the limitations hereof, as security for all Moral Obligation Bonds issued and Outstanding under the Master Indenture.

Establishment and Custody of Non-Pledged Funds for Each Series of Bonds. Unless otherwise provided in the Related Supplemental Series Indenture, the following Funds are to be established in the Related Supplemental Series Indenture and held by or at the direction of VRA with respect to each Series of Bonds:

(1) Cost of Issuance Fund;
(2) Acquisition Fund; and
(3) Rebate Fund.

Unless otherwise provided in the Related Supplemental Series Indenture, none of the Cost of Issuance Fund, the Acquisition Fund or the Rebate Fund is pledged as security for payment of any Bonds of any Series.

Establishment and Custody of Certain Special Funds. VRA may establish with the Trustee or an escrow agent satisfactory to the Trustee in connection with the issuance of any Series of Refunding Bonds an Escrow Fund to provide for the application and investment of the portion of the proceeds of such Series to be used to refund the refunded Bonds. Such Escrow Fund shall be established under or in accordance with the Related Supplemental Series Indenture. VRA may establish with the Trustee in connection with the incurrence of any Reimbursement Obligation a Reimbursement Fund. Amounts held for the credit of any Reimbursement Fund shall be paid out by the Trustee as necessary to enable VRA to meet its obligations constituting Reimbursement Obligations. Amounts held for the credit of a Reimbursement Fund may be pledged to the payment of any Related Reimbursement Obligation incurred by VRA.

Operation of Revenue Fund and Pledged Funds

Nature of Security Afforded by Certain Funds. All Infrastructure Revenue Bonds of any Series issued and to be issued under the Master Indenture are, and are to be, to the extent provided in the Master Indenture, equally and ratably secured by the Revenue Fund, the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund and the Operating Reserve Fund. All Moral Obligation Bonds of any Series issued and to be issued under the Master Indenture are, and are to be, to the extent provided in the Master Indenture, equally and ratably secured by the Revenue Fund, the Moral Obligation Debt Service Fund and the Capital Reserve Fund.

Revenue Fund. The Trustee shall promptly deposit and hold in the Revenue Fund the Local Obligation Payments and any other amounts transferred to the Revenue Fund from other Funds and Accounts or other sources as provided under the Master Indenture or the Supplemental Series Indentures. On or before each Payment Date on any Series of the Bonds, the Trustee shall make transfers from the Revenue Fund in the amounts and in the order of priority set forth below:

(a) To the Infrastructure Revenue Debt Service Fund the amount, if any, required so that the balance therein shall equal the amount of principal, if any, and interest due on the Payment Date on the Infrastructure Revenue Bonds; provided that for the purpose of computing the amount to be paid to the Infrastructure Revenue Debt Service Fund there shall be deducted the amount, if any, set aside in the Infrastructure Revenue Debt Service Fund which was deposited therein as accrued or capitalized interest and any amounts transferred to the Infrastructure Revenue Debt Service Fund as provided in the section titled "Infrastructure Revenue Debt Service Fund" in the Master Indenture, together in each case with investment earnings thereon;

(b) To the Infrastructure Revenue Debt Service Reserve Fund the amount necessary to cause the balance therein to be equal to the Infrastructure Revenue DSRF Requirement, if any (which shall

include the reimbursement of an Infrastructure Revenue DSRF Credit Provider for any drawings on an Infrastructure Revenue DSRF Credit Facility and the payment of any interest, penalties or fees assessed by the Infrastructure Revenue DSRF Credit Provider);

(c) To VRA the amount equal to the sum of the Administrative Charges as confirmed in an Officer's Certificate;

(d) To the Rebate Funds the amounts necessary to provide for the payment of any Rebate Amounts with respect to any Series of Bonds as confirmed in an Officer's Certificate;

(e) To the Moral Obligation Debt Service Fund the amount, if any, required so that the balance therein shall equal the amount of principal, if any, and interest due on the Payment Date on the Moral Obligation Bonds; provided that for the purpose of computing the amount to be paid to the Moral Obligation Debt Service Fund there shall be deducted the amount, if any, set aside in the Moral Obligation Debt Service Fund which was deposited therein as accrued or capitalized interest and any amounts transferred to the Moral Obligation Debt Service Fund as provided in the Master Indenture, together in each case with investment earnings thereon;

(f) To the Capital Reserve Fund to the extent necessary to cause the balance therein to be equal to the CRF Reserve Requirement (which shall include the reimbursement of a CRF Credit Provider for any drawings on a CRF Credit Facility and the payment of any interest, penalties or fees assessed by the CRF Credit Provider); and

(g) To the Operating Reserve Fund, any balance remaining in the Revenue Fund, unless and to the extent that the remaining balance is not necessary to pay future Principal and Interest Requirements on the Bonds at the times and in the amounts provided in (i) a Supplemental Series Indenture and confirmed in an Officer's Certificate or (ii) an Officer's Certificate.

The Trustee shall apply any amounts retained in the Revenue Fund as described in paragraph (g) above to pay the Principal and Interest Requirements on the Bonds at the times and in the amounts provided in the applicable Supplemental Series Indenture or Officer's Certificate as the case may be.

In the case of Bonds of a Series secured by a Bond Credit Facility, amounts on deposit in the Revenue Fund may be transferred to the Infrastructure Revenue Debt Service Fund or Moral Obligation Debt Service Fund, as the case may be, the Related Reimbursement Fund or elsewhere as provided in the Related Supplemental Series Indenture to reimburse the Bond Credit Provider for amounts drawn under the Bond Credit Facility to pay the principal of and premium, if any, and interest on such Bonds.

Infrastructure Revenue Debt Service Fund. The Trustee shall promptly deposit the following amounts in the Infrastructure Revenue Debt Service Fund:

(a) The amount, if any, of the proceeds of the Infrastructure Revenue Bonds of any Series, required by the Related Supplemental Series Indenture to be deposited in the Infrastructure Revenue Debt Service Fund in respect of accrued and/or capitalized interest;

(b) All amounts required to be transferred to the Infrastructure Revenue Debt Service Fund from the Revenue Fund;

(c) Any amounts required to be transferred to the Infrastructure Revenue Debt Service Fund from the Infrastructure Revenue Debt Service Reserve Fund and the Operating Reserve Fund, as provided under the Master Indenture; and

(d) Any other amounts required to be paid to the Infrastructure Revenue Debt Service Fund or otherwise made available for deposit therein by any Local Government or VRA, including amounts made available pursuant to the Related Supplemental Series Indenture.

The Trustee shall pay out of the Infrastructure Revenue Debt Service Fund to the Paying Agents for the Infrastructure Revenue Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on the Infrastructure Revenue Bonds then due and (ii) on any redemption date, the amount required for the payment of accrued interest on the Infrastructure Revenue Bonds to be redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment. The Trustee shall also pay out of the Infrastructure Revenue Debt Service Fund the accrued interest included in the purchase price of the Infrastructure Revenue Bonds of any Series purchased for retirement pursuant to the Master Indenture. The Trustee shall pay out of the Infrastructure Revenue Debt Service Fund to the Paying Agents for the Bonds on each Principal Payment Date and redemption date for the Infrastructure Revenue Bonds, the amounts then required for the payment of such principal or redemption price, and such amounts shall be applied by the Paying Agents to such payments.

Infrastructure Revenue Debt Service Reserve Fund. Except as specifically provided below, the amount in the Infrastructure Revenue Debt Service Reserve Fund, if any, shall be used solely to cure deficiencies in the amount on deposit in the Infrastructure Revenue Debt Service Fund. If there is a deficiency in the amount on deposit in the Infrastructure Revenue Debt Service Fund to pay the principal of and interest on the Infrastructure Revenue Bonds when due, then the Trustee shall transfer the amount of the deficiency from the amount, if any, on deposit in the Infrastructure Revenue Debt Service Reserve Fund to the Infrastructure Revenue Debt Service Fund. The Trustee immediately shall notify VRA of the transfer. Notwithstanding the foregoing, no such transfer from the Infrastructure Revenue Debt Service Reserve Fund shall relieve a Local Government of its obligation to make the payments due on its Local Obligations or under the Related Agreement.

On each Reserve Determination Date, the Trustee shall determine if the balance on deposit in the Infrastructure Revenue Debt Service Reserve Fund is at least equal to the Infrastructure Revenue DSRF Requirement. In making each such determination, investments on deposit in the Infrastructure Revenue Debt Service Reserve Fund shall be valued as provided in the Master Indenture. If on any Reserve Determination Date the amount in the Infrastructure Revenue Debt Service Reserve Fund is less than the Infrastructure Revenue DSRF Requirement, the Trustee shall immediately notify VRA of such fact and the amount of the deficiency. VRA may deposit its own funds directly into the Infrastructure Revenue Debt Service Reserve Fund to cure any deficiency in it.

Any interest earned from the investment of money in the Infrastructure Revenue Debt Service Reserve Fund shall be transferred upon receipt to the Revenue Fund and/or to pay any Rebate Amounts in accordance with the Supplemental Series Indentures and Tax Regulatory Agreements (as confirmed in an Officer's Certificate) to the extent that such transfer will not cause the balance in the Infrastructure Revenue Debt Service Reserve Fund to be less than the Infrastructure Revenue DSRF Requirement. If on any Reserve Determination Date there exists a surplus in the Infrastructure Revenue Debt Service Reserve Fund, the Trustee shall transfer such surplus to the Revenue Fund and/or use it to pay any Rebate Amounts in accordance with the Supplemental Series Indentures and Tax Regulatory Agreements (as confirmed in an Officer's Certificate); provided, however, that if on any Reserve Determination Date there exists or will exist a surplus in the Infrastructure Revenue Debt Service Reserve Fund as the result of the payment at maturity, redemption or defeasance of a portion of the Bonds on or as of such Reserve Determination Date, then the Trustee is authorized to apply the surplus as specified in (i) a Supplemental Series Indenture (as confirmed in an Officer's Certificate) or (ii) an Officer's Certificate.

In lieu of maintaining and depositing money or securities in the Infrastructure Revenue Debt Service Reserve Fund, VRA may deposit with the Trustee an Infrastructure Revenue DSRF Credit Facility in an amount equal to all or a portion of the Infrastructure Revenue DSRF Requirement. Any Infrastructure Revenue DSRF Credit Facility will permit the Trustee to draw or obtain under it for deposit in the Infrastructure Revenue Debt Service Reserve Fund amounts that, when combined with the other amounts in the Infrastructure Revenue Debt Service Reserve Fund, are not less than the Infrastructure Revenue DSRF Requirement.

The Trustee will make a drawing on or otherwise obtain funds under the Infrastructure Revenue DSRF Credit Facility before its expiration or termination (i) whenever money is required for the purposes for which Infrastructure Revenue Debt Service Reserve Fund money may be applied and (ii) unless such Infrastructure Revenue DSRF Credit Facility has been extended or a qualified replacement for it delivered to the Trustee, in the event VRA has not deposited immediately available funds equal to the Infrastructure Revenue DSRF Requirement at least two Business Days preceding the expiration or termination of the Infrastructure Revenue DSRF Credit Facility.

If VRA provides the Trustee with an Infrastructure Revenue DSRF Credit Facility as provided in this subsection, the Trustee will transfer the corresponding amount of funds then on deposit in the Infrastructure Revenue Debt Service Reserve Fund to VRA, provided VRA delivers to the Trustee (i) an Opinion of Bond Counsel that such transfer of funds will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds the interest on which was excludable on the date of their issuance and (ii) VRA covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

Moral Obligation Debt Service Fund. The Trustee shall promptly deposit the following amounts in the Moral Obligation Debt Service Fund:

(a) The amount, if any, of the proceeds of the Moral Obligation Bonds of any Series, required by the Related Supplemental Series Indenture to be deposited in the Moral Obligation Debt Service Fund in respect of accrued and/or capitalized interest;

(b) All amounts required to be transferred to the Moral Obligation Debt Service Fund from the Revenue Fund;

(c) Any amounts required to be transferred to the Moral Obligation Debt Service Fund from the Capital Reserve Fund, as provided under the Master Indenture; and

(d) Any other amounts required to be paid to the Moral Obligation Debt Service Fund or otherwise made available for deposit therein by any Local Government or VRA, including amounts made available pursuant to the Related Supplemental Series Indenture.

The Trustee shall pay out of the Moral Obligation Debt Service Fund to the Paying Agents for the Moral Obligation Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on the Moral Obligation Bonds then due and (ii) on any redemption date, the amount required for the payment of accrued interest on the Bonds to be redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment. The Trustee shall also pay out of the Moral Obligation Debt Service Fund the accrued interest included in the purchase price of the Moral Obligation Bonds of any Series purchased for retirement pursuant to the Master Indenture.

The Trustee shall pay out of the Moral Obligation Debt Service Fund to the Paying Agents for the Bonds on each Principal Payment Date and redemption date for the Moral Obligation Bonds, the amounts then required for the payment of such principal or redemption price, and such amounts shall be applied by the Paying Agents to such payments.

Capital Reserve Fund. The Capital Reserve Fund shall be used solely to cure deficiencies in the amount on deposit in the Moral Obligation Debt Service Fund. If there is a deficiency in the amount on deposit in the Moral Obligation Debt Service Fund to pay the principal of and interest on the Moral Obligation Bonds when due, then the Trustee shall transfer the amount of the deficiency from the amount, if any, on deposit in the Capital Reserve Fund to the Moral Obligation Debt Service Fund. The Trustee immediately shall notify VRA of the transfer. Notwithstanding the foregoing, no such transfer from the Capital Reserve Fund shall relieve a Local Government of its obligation to make the payments due on its Local Obligations or under the Related Agreement.

On each Reserve Determination Date, the Trustee shall determine if the balance on deposit in the Capital Reserve Fund is at least equal to the CRF Reserve Requirement and the Minimum CRF Reserve Requirement. Unless and until VRA satisfies the requirements of the section titled "Release of Moral Obligations" in the Master Indenture, the CRF Reserve Requirement and the Minimum CRF Reserve Requirement shall be equal. In making each such determination, investments on deposit in the Capital Reserve Fund shall be valued as provided in the Master Indenture. If on any Reserve Determination Date the amount in the Capital Reserve Fund is less than the CRF Reserve Requirement or the Minimum CRF Reserve Requirement, the Trustee shall immediately notify VRA of such fact and the amount of the deficiency.

If any deficiency below the Minimum CRF Reserve Requirement shall continue to exist on or before December 1 of the year in which the deficiency occurs, VRA's Chairman shall under Section 62.1-215 of the Act make and deliver to the Governor and the Secretary of Administration of the Commonwealth a certificate setting forth the amount of such deficiency. Notwithstanding anything to the contrary contained herein, in determining whether such deficiency continues to exist on a December 1, the Chairman of VRA shall not take into account any deficiency resulting solely from the valuation by the Trustee of the investments in the Capital Reserve Fund (as opposed to a transfer therefrom to the Moral Obligation Debt Service Fund due to a default on a Local Obligation).

VRA may deposit its own funds directly into the Capital Reserve Fund to cure any deficiency in it.

VRA and the Trustee shall deposit directly into the Capital Reserve Fund any payments made by the Commonwealth pursuant to an appropriation by the General Assembly of the Commonwealth under Section 62.1-215 of the Act to replenish any deficiency below the Minimum CRF Reserve Requirement in the Capital Reserve Fund.

Any interest earned in the investment of money in the Capital Reserve Fund shall be transferred upon receipt to the Revenue Fund and/or to pay any Rebate Amounts in accordance with the Supplemental Series Indentures and Tax Regulatory Agreements (as confirmed in an Officer's Certificate) to the extent that such transfer will not cause the balance in the Capital Reserve Fund to be less than the CRF Reserve Requirement. If on any Reserve Determination Date there exists a surplus in the Capital Reserve Fund, the Trustee shall transfer the surplus to the Revenue Fund and/or use it to pay any Rebate Amounts in accordance with the Supplemental Series Indentures and Tax Regulatory Agreements (as confirmed in an Officer's Certificate); provided, however, that if on any Reserve Determination Date there exists or will exist a surplus in the Capital Reserve Fund as the result of the payment at maturity, redemption or defeasance of a portion of the Moral Obligation Bonds on or as of

such Reserve Determination Date, then the Trustee is authorized to apply the surplus as specified in (i) a Supplemental Series Indenture (as confirmed in an Officer's Certificate) or (ii) an Officer's Certificate.

In lieu of maintaining and depositing money or securities in the Capital Reserve Fund, VRA may deposit with the Trustee a CRF Credit Facility in an amount equal to all or a portion of the CRF Reserve Requirement. Any CRF Credit Facility will permit the Trustee to draw or obtain under it for deposit in the Capital Reserve Fund amounts that, when combined with the other amounts in the Capital Reserve Fund, are not less than the CRF Reserve Requirement.

The Trustee will make a drawing on or otherwise obtain funds under the CRF Credit Facility before its expiration or termination (i) whenever money is required for the purposes for which Capital Reserve Fund money may be applied and (ii) unless such CRF Credit Facility has been extended or a qualified replacement for it delivered to the Trustee, in the event VRA has not deposited immediately available funds equal to the CRF Reserve Requirement at least two Business Days preceding the expiration or termination of the CRF Credit Facility.

If VRA provides the Trustee with a CRF Credit Facility as provided in this subsection, the Trustee will transfer the corresponding amount of funds then on deposit in the Capital Reserve Fund to VRA, provided VRA delivers to the Trustee (i) an Opinion of Bond Counsel that such transfer of funds will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds the interest on which was excludable on the date of their issuance and (ii) VRA covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

Release of Moral Obligation. Without obtaining the consent of either the Trustee or any of the Owners of the Bonds, VRA may at any time by resolution adopted by its Board of Directors and filed with the Trustee establish the Minimum CRF Reserve Requirement at an amount less than the CRF Reserve Requirement upon satisfaction of the following conditions:

(a) The above-described resolution contains a finding by VRA's Board of Directors that such action is not reasonably expected to affect adversely VRA's ability to pay the Principal and Interest Requirements on the Moral Obligation Bonds; and

(b) VRA files with the Trustee written confirmation from each Rating Agency for any Moral Obligation Bonds then Outstanding that its then-current rating on the Moral Obligation Bonds will not be withdrawn or reduced as a result of such action.

The Minimum CRF Reserve Requirement is intended to be the "minimal requirement" for the Capital Reserve Fund described in Section 62.1-215 of the Act. The portion of the Capital Reserve Fund representing or allocable to the excess, if any, of the CRF Reserve Requirement over the Minimum CRF Reserve Requirement shall not be deemed a "capital reserve fund" within the meaning of Section 62.1-215 of the Act.

Operating Reserve Fund. On each Payment Date, any amount on deposit in the Operating Reserve Fund shall be transferred to the Infrastructure Revenue Debt Service Fund if and to the extent that, after the transfers from the Revenue Fund provided for in the third paragraph of the section titled "Revenue Fund" in the Master Indenture and from the Infrastructure Revenue Debt Service Reserve Fund provided for in the section titled "Infrastructure Revenue Debt Service Reserve Fund" in the Master Indenture, amounts on deposit in the Infrastructure Revenue Debt Service Fund are insufficient to pay the principal and interest due on the Infrastructure Revenue Bonds on such date.

Investment earnings on amounts in the Operating Reserve Fund shall be retained therein unless necessary for transfer to the Infrastructure Revenue Debt Service Fund as provided in the above paragraph or transferred to VRA as provided in the paragraph below.

At any time upon the filing with the Trustee of a Projected Revenue Certificate, VRA may transfer to itself, from amounts on deposit in the Operating Reserve Fund, free and clear of any lien or pledge created by the Master Indenture, an amount which is not required to produce Revenue Coverage equal to the Required Revenue Coverage, Infrastructure Revenue Bond Debt Service Coverage equal to the Required Infrastructure Revenue Bond Debt Service Coverage, and an Infrastructure Revenue Bond Revenue Coverage equal to the Required Infrastructure Revenue Bond Revenue Coverage in the then-current and all future Bond Years, all as set forth in the Projected Revenue Certificate. The amounts VRA transfers to itself shall first be used to reimburse the Commonwealth in accordance with Section 62.1-215 of the Act for any amounts which the General Assembly may have appropriated and the Commonwealth has paid into the Capital Reserve Fund and then may be applied to any other lawful purpose under the Act. VRA shall provide written notification to each Rating Agency of each such transfer from the Operating Reserve Fund.

Cost of Issuance Funds. There shall be deposited in each Cost of Issuance Fund the portion of the proceeds of the Related Series of Bonds and such other amounts as may be specified in the Related Supplemental Series Indenture. VRA shall use such amounts to pay costs of issuance incurred in connection with the issuance of the Related Series of Bonds. Upon the filing with the Trustee of an Officer's Certificate that no further costs of issuance are to be paid from a Cost of Issuance Fund, VRA shall transfer any amounts remaining on deposit in such Fund to the Revenue Fund, the Related Acquisition Fund and/or another Fund or Account established hereunder as may be authorized or directed by the Related Supplemental Series Indenture or Tax Regulatory Agreement. Investment earnings on a Cost of Issuance Fund may be transferred therefrom periodically as provided in the Related Supplemental Series Indenture and Tax Regulatory Agreement.

Acquisition Funds. There shall be deposited into each Acquisition Fund such portion of the proceeds of the Related Series of Bonds and other amounts as may be specified in the Related Supplemental Series Indenture. VRA shall use amounts in each Acquisition Fund to acquire Related Local Obligations in accordance with the specific requirements of the Related Supplemental Series Indenture, Tax Regulatory Agreement and Related Agreements. Upon the filing with the Trustee of an Officer's Certificate that no additional Local Obligations are to be acquired or principal advances made thereon from amounts in an Acquisition Fund, VRA shall transfer any amounts remaining on deposit in such Fund to the Revenue Fund and/or another Fund or Account established hereunder as may be authorized or directed by the Related Supplemental Series Indenture or Tax Regulatory Agreement. Investment earnings in an Acquisition Fund may be transferred periodically therefrom as provided in the Related Supplemental Series Indenture and Tax Regulatory Agreement.

Rebate Funds. There shall be deposited in each Rebate Fund Rebate Amounts and such other amounts as may be specified in the Related Supplemental Series Indenture and the Related Tax Regulatory Agreement. VRA shall use the balance in a Rebate Fund to pay the obligations under Section 148 of the Code in connection with the Related Series of Bonds. VRA may transfer any amounts on deposit in a Rebate Fund that are not needed for such purpose to the Revenue Fund, the Operating Reserve Fund and/or another Fund or Account established hereunder as may be authorized or directed by the Related Supplemental Series Indenture or Tax Regulatory Agreement and confirmed in an Officer's Certificate.

Investments

All amounts deposited with VRA or the Trustee under the Master Indenture in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously held in bank accounts which are secured for the benefit of VRA and the Owners of the Bonds in the manner required and to the full extent permitted by the Virginia Security for Public Deposits Act, Chapter 44, Title 2.2 of the Virginia Code, or any successor provision of law; provided, however, that it shall not be necessary for the Paying Agent to give security for the deposit of any amounts with it for the payment of the principal of or premium, if any, or interest on any Bonds issued under the Master Indenture, or for any Person to give security for any investments described in the following paragraphs.

Subject to the provisions of any Supplemental Indenture, any amounts held in any Funds and Accounts established by the Master Indenture or any Supplemental Indenture may be separately invested and reinvested by the Trustee, at the request of and as directed in writing by a VRA Representative, in any investments which are at the time legal investments for public funds of the type to be invested under Virginia law, including without limitation the Act and the Investment of Public Funds Act, Chapter 45, Title 2.2 of the Virginia Code, or any successor provision of law.

Subject to the provisions of any Supplemental Indenture, all investments shall be held by or under the control of the Trustee or VRA, as the case may be, and while so held shall be deemed a part of the Fund or Account in which the amounts were originally held. The Trustee and VRA shall sell and reduce to cash a sufficient amount of investments whenever the cash balance in any Fund or Account is insufficient for its purposes.

Unless otherwise provided in a Supplemental Indenture, VRA or the Trustee shall value the investments in each Fund and Account established under the Master Indenture or any Supplemental Indenture and held by it or at its direction as of the last Business Day of each month, at the lower of cost or fair market value of such investments, plus accrued interest.

The Trustee may make investments permitted by the section titled "Permitted Investments" in the Master Indenture through its own trust or bond department.

Particular Covenants.

Payment of Bonds. VRA covenants to perform its obligations as provided in the Master Indenture, any Supplemental Series Indenture, each Series of Bonds and related documents and to pay the Bonds, but only from revenues, moneys and other property specifically pledged for such purposes.

Records and Accounts; Inspections and Reports. VRA will maintain or cause to be maintained proper books or records and accounts, separate from any of its other records and accounts, showing complete and correct entries of all transactions relating to the Bonds. All books and documents in VRA's possession relating to the Bonds shall at all times be open to inspection by such agents as may be designated by the Trustee or the Owners of twenty-five percent or more in aggregate principal amount of Bonds then Outstanding. VRA will have an annual audit made by or on behalf of the Auditor of Public Accounts within 120 days after the end of each fiscal year and shall furnish to the Trustee copies of the audit report as soon as such report is available, which report shall include statements in reasonable detail, certified by the Auditor of Public Accounts or the accountant who prepared the report. Such audit report shall reflect VRA's financial position as of the end of such fiscal year and the results of its operations and changes in the financial position of its funds for such fiscal year.

Covenants with Credit Providers, Infrastructure Revenue DSRF Credit Providers and CRF Credit Providers. VRA may make such covenants as it may in its sole discretion determine to be appropriate with any Bond Credit Provider, Infrastructure Revenue DSRF Provider or CRF Credit Provider that provides for the Bonds of any one or more Series a Bond Credit Facility, an Infrastructure Revenue DSRF Credit Facility or a CRF Credit Facility that shall enhance the security or the value of such Bonds and thereby reduce the Principal and Interest Requirements on such Bonds or substitute for amounts in the Infrastructure Revenue Debt Service Reserve Fund or the Capital Reserve Fund. Such covenants may be set forth in the Related Supplemental Series Indenture or other Supplemental Indenture and shall be binding on VRA, the Trustee, the Paying Agents and the Owners of the Bonds the same as if such covenants were set forth in full in the Master Indenture.

Covenant to Enforce State Aid Intercept. VRA covenants that it will take any and all actions available to it under the laws of the Commonwealth, including those actions available under Section 62.1-216.1 of the Act and Section 15.2-2659 of the Virginia Code, to obtain Local Obligation Payments if the Related Local Government fails to make such payments when the same shall become due and payable.

Defeasance. If VRA shall pay or provide for the payment of the entire indebtedness on all Bonds Outstanding in any one or more of the following ways: (1) by paying or causing to be paid the principal of and premium, if any, and interest on all Bonds Outstanding, as and when the same become due and payable; (2) by delivering all Bonds Outstanding to the Trustee for cancellation; or (3) by depositing with the Trustee (or an escrow agent acceptable to the Trustee), in trust, cash and/or Defeasance Obligations in such amount as will, together with the income or increment to accrue thereon (the "Defeasance Amount"), be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds Outstanding at or before their respective maturity dates, without consideration of any reinvestment of the Defeasance Amount, as an independent certified public accountant shall verify to the Trustee's satisfaction; and if VRA shall pay or provide for the payment of (on the date of defeasance or over time) all other sums payable hereunder by VRA, and, if any of the Bonds Outstanding are to be redeemed before their maturity, notice of such redemption shall have been given as provided in Article IV of the Master Indenture (and the corresponding sections of the Supplemental Series Indentures) or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the Master Indenture and the estate and rights granted in the Master Indenture (except for the provisions of Articles III and IV and Section 6.1 thereof) shall cease and become null and void. Thereupon the Trustee shall, upon receipt by the Trustee of an Officer's Certificate and an opinion of Bond Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture as provided above have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture (except for the provisions of Articles III and IV of the Master Indenture (the corresponding sections of the Supplemental Series Indentures) and Section 6.1 of the Master Indenture), and the lien hereof.

Provision for Payment of Particular Bonds. If VRA shall pay or provide for the payment of the entire indebtedness on particular Bonds in any one or more of the following ways: (1) by paying or causing to be paid the principal of and premium, if any, and interest on such Bonds, as and when the same shall become due and payable; (2) by delivering such Bonds to the Trustee for cancellation; or (3) by depositing with the Trustee (or an escrow agent acceptable to the Trustee), in trust, cash and/or Defeasance Obligations in such amount as will, together with the income or increment to accrue thereon (the "Payment Amount"), be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity dates, without consideration of any reinvestment of the Payment Amount, as an independent certified public accountant shall verify to the Trustee's satisfaction; and if VRA shall also pay or provide for the payment of all other sums payable hereunder by VRA with respect to such Bonds, and, if such Bonds are to be redeemed before their maturity, notice of such redemption shall have been given as provided in Article IV of the Master

Indenture (or the corresponding provisions of the Related Supplemental Series Indentures) or provisions satisfactory to the Trustee shall have been made for the giving of such notice, such Bonds shall cease to be entitled to any lien, benefit or security under the Master Indenture. The liability of VRA under such Bonds shall continue but their Owners shall thereafter be entitled to payment (to the exclusion of all other Owners) only out of the cash and/or Defeasance Obligations deposited with the Trustee (or an escrow agent acceptable to the Trustee) as aforesaid.

VRA may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered that VRA may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired as provided in the Master Indenture.

The defeasance provisions of the Master Indenture may be modified by the Related Supplemental Series Indentures with respect to Bonds of any Series that constitute Variable Rate Bonds and/or Optional Tender Bonds.

Events of Default; No Acceleration. The occurrence and continuation of one or more of the following events shall constitute an Event of Default with respect to the Bonds:

(a) default in the payment of any installment of interest in respect of any Bond as the same shall become due and payable; or

(b) default in the payment of the principal of or premium, if any, in respect of any Bond as the same shall become due and payable either at maturity, upon redemption, or otherwise; or

(c) default in the payment of any Amortization Requirement in respect of any Term Bond as the same shall become due and payable; or

(d) failure on the part of VRA duly to observe or perform any other of the covenants or agreements on the part of VRA contained in the Master Indenture, any Supplemental Series Indenture, any Tax Regulatory Agreement or any Bond; or

(e) Appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the Revenues, the Infrastructure Revenue Bond Revenues, and the other Funds and Accounts pledged pursuant to the Master Indenture, or the filing by VRA of any petition for reorganization of VRA or rearrangement or readjustment of the obligations of VRA under the provisions of any applicable bankruptcy or insolvency law.

Notwithstanding any other provision of the Master Indenture, failure to pay the principal or any Amortization Requirement of or interest on the Moral Obligation Bonds will not constitute an Event of Default on the Infrastructure Revenue Bonds.

VRA may, pursuant to a Supplemental Series Indenture, provide for a particular Series of Bonds different or additional Events of Default and remedies upon the occurrence thereof, including, but not limited to, Events of Default upon the occurrence of events specified in any agreement entered into in connection with the delivery of a Bond Credit Facility and acceleration of the full principal amount of such Bonds.

No Acceleration. The principal of and interest on the Bonds is not subject to acceleration upon the occurrence and continuation of an Event of Default.

Other Remedies. Upon the occurrence and continuation of an Event of Default, the Trustee may in its discretion, and shall at the written request of the Majority Owners of the Infrastructure Revenue Bonds Outstanding, or if there are no Infrastructure Revenue Bonds Outstanding, at the written request of the Majority Owners of the Moral Obligation Bonds Outstanding, and having been indemnified as provided in the section titled "Acceptance of Trusts and Obligations" in the Master Indenture, pursue any available remedy, at law or in equity, to enforce the payment of the principal of and premium, if any, and interest on the Bonds, to enforce any covenant or condition under the Master Indenture or the Supplemental Indentures or to remedy any Event of Default.

Notwithstanding anything in the Master Indenture or the Supplemental Indentures to the contrary, upon the occurrence and continuation of an Event of Default, the Majority Owners of the Infrastructure Revenue Bonds Outstanding will control and direct all actions of the Trustee in exercising its rights and powers under the Master Indenture. If there are no Infrastructure Revenue Bonds Outstanding, upon the occurrence and continuation of an Event of Default, and if requested so to do in writing by the Majority Owners of the Moral Obligation Bonds Outstanding, and having been indemnified as provided in the Master Indenture, the Trustee will exercise such of the rights and powers conferred by the Master Indenture, being advised by counsel, that the Trustee deems most effective to enforce and protect the interests of the Owners.

So long as any Infrastructure Revenue Bonds are Outstanding, no Owner of any Moral Obligation Bond may exercise any remedy under the Master Indenture or any Supplemental Indenture.

Restriction on Owners' Actions. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the article titled "Default Provisions and Remedies of Trustee and Owners" in the Master Indenture, no Owner will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or any remedy under the Master Indenture or any Supplemental Indenture or the Bonds, unless (i) an Event of Default has occurred and is continuing of which the Trustee has been notified as provided in the section titled "Acceptance of Trusts and Obligations" in the Master Indenture, or of which by such Section it is deemed to have notice; (ii) the Majority Owners of the Infrastructure Revenue Bonds or, if there are no Infrastructure Revenue Bonds Outstanding, the Majority Owners of the Moral Obligation Bonds, have made written request of the Trustee to institute the suit, action, proceeding or other remedy, after the right to exercise the powers or rights of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or to institute the action, suit or proceeding in its or their name; (iii) there has been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred as provided in the section titled "Acceptance of Trusts and Obligations" in the Master Indenture, and (iv) the Trustee has not complied with the request within a reasonable time. Such notification, request and offer of indemnity are declared, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Master Indenture or for any other remedy under the Master Indenture. It is intended that no one or more Owners will have any right to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture or the Bonds, except in the manner provided for in the Master Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Owners. Nothing in the Master Indenture will affect or impair the right of the Owners to enforce payment of the Bonds in accordance with their terms.

Waiver of Events of Default; Effect of Waiver. The Trustee will waive any Event of Default and its consequences at the written request of the Majority Owners of the Infrastructure Revenue Bonds Outstanding or, if there are no Infrastructure Revenue Bonds Outstanding, the Majority Owners of the Moral Obligation Bonds Outstanding. If any Event of Default with respect to the Bonds has been waived

as provided in the Master Indenture, the Trustee will promptly give written notice of the waiver to VRA and by first class mail, postage prepaid, to all Owners if the Owners had previously been given notice of the Event of Default. No waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right, power or remedy available under the Master Indenture.

No delay or omission of the Trustee or of any Owner to exercise any right, power or remedy accruing upon any default or Event of Default will impair any such right, power or remedy or will be construed to be a waiver of or acquiescence in any such default or Event of Default. Every right, power and remedy given to the Trustee and to the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Money. Any amounts received by the Trustee will, after payment of the costs and expenses of the proceedings resulting in the collection of the money, the expenses, liabilities and advances incurred or made by the Trustee and the fees (whether ordinary or extraordinary) of the Trustee and expenses of VRA in carrying out the provisions of the Master Indenture, be deposited in an appropriate Account that the Trustee will establish in the Revenue Fund. The amounts in such Account shall be applied as follows:

(a) To the payment of the persons entitled to it of all installments of interest then due on the Infrastructure Revenue Bonds, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege;

(b) To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of any of the Infrastructure Revenue Bonds which have become due (other than Infrastructure Revenue Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Infrastructure Revenue Bonds due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it, without any discrimination or privilege;

(c) To the payment of the persons entitled to it of all installments of interest then due on the Moral Obligation Bonds to the extent the same is not to be paid from amounts in the Capital Reserve Fund, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege; and

(d) To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of any of the Moral Obligation Bonds which have become due (other than Moral Obligation Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture) to the extent the same is not to be paid from amounts in the Capital Reserve Fund, in the order of their due dates and, if the amount available is not sufficient to pay in full such Moral Obligation Bonds due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it, without any discrimination or privilege.

Whenever money is to be applied pursuant to the Master Indenture, it will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such money, it will fix the date on which payment is to be made, and interest on the amount of principal to be paid on such date will cease to accrue. The Trustee will

give, by first class mail as it may deem appropriate, notice to the Owners of the fixing of such payment date.

Notwithstanding anything to the contrary in the Master Indenture, amounts at any time on deposit in or transferred to the Capital Reserve Fund as described in the subsection titled "Capital Reserve Fund" above shall be used only to pay the principal of and interest on the Moral Obligation Bonds and such amounts shall be so used but only to the extent that amounts in the above-described Account and the Moral Obligation Debt Service Fund are insufficient therefor.

Notice of Certain Defaults; Opportunity to Cure Such Defaults. Notwithstanding anything to the contrary in the Master Indenture, no default not constituting a debt service payment or insolvency-related default under the Master Indenture will constitute an Event of Default until actual notice of the default is given to VRA by the Trustee or by the Owners of not less than twenty-five percent in aggregate principal amount of all Outstanding Bonds, and VRA has had (i) 30 days after receipt of the notice with respect to any default in the payment of money or (ii) 90 days after receipt of the notice of any other default to correct the default or to cause the default to be corrected; provided, however, that if the default can be corrected, but cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by VRA within the applicable period and diligently pursued until the default is corrected.

Modification or Amendment of the Indenture

VRA and the Trustee may, without the consent of, or notice to, any of the Owners of the Bonds, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Master Indenture or any Supplemental Series Indenture for any one or more of the following purposes:

(a) To cure or correct any ambiguity, formal defect, omission or inconsistent provision in the Master Indenture or in a Supplemental Series Indenture;

(b) To grant to or confer on the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Owners or the Trustee or either of them;

(c) To subject to the lien and pledge of the Master Indenture additional revenues, properties or collateral;

(d) To provide for the issuance of coupon Bonds if authorized under the Related Supplemental Series Indenture;

(e) To amend certain provisions of the Master Indenture or any Supplemental Series Indenture in any manner consistent with Sections 103 and 141 through 150 of the Code (or such other hereinafter enacted sections of the Code as may be applicable to the Bonds) as in effect at the time of the amendment;

(f) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Master Indenture or any Supplemental Series Indenture, of the Revenues, the Infrastructure Revenue Bond Revenues or any other moneys, property or Funds or Accounts;

(g) To modify, amend or supplement the Master Indenture or any Supplemental Series Indenture as required to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of any of the Bonds for sale under the securities laws of any of the states of the United States, and, if VRA and the Trustee so determine, to add to this Master Indenture or any Supplemental Series Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar federal statute;

(h) To add to the covenants and agreements of VRA contained in this Indenture other covenants and agreements thereafter to be observed for the Owners' protection, including, but not limited to, additional requirements imposed by virtue of a change of law, or to surrender or to limit any right, power or authority therein reserved to or conferred upon VRA;

(i) To amend, modify or change the terms of any agreements governing any book-entry-only system for any of the Bonds;

(j) In the case of Supplemental Series Indentures, to provide for the issuance of additional Series of Bonds (including Refunding Bonds) and to provide for such other related matters as may be required or contemplated by or appropriate under the Master Indenture;

(k) To make any changes necessary to comply with the requirements of a Rating Agency or of a Bond Credit Provider, an Infrastructure Revenue DSRF Credit Provider or a CRF Credit Provider that, as expressed in a finding or determination by VRA (which is included in the Supplemental Indenture), would not materially adversely affect the security for the Bonds;

(l) To make any other changes that, as expressed in a determination or finding by VRA (which shall be stated in the Supplemental Indenture, and may be based upon an Opinion of Counsel and/or the opinion of VRA's financial advisor) shall not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding; and

(m) To restate in one document the Master Indenture and all effective Supplemental Series Indentures and other Supplemental Indentures, which restatement shall then become the Master Indenture for all purposes, effective as of the date of this Master Indenture with respect to matters set forth therein and as of the date of any Supplemental Indenture included in the restatement as to matters set forth in any such Supplemental Indenture. Supplemental Series Indentures and the Bonds issued thereunder prior to a restatement shall be deemed to relate to the restated Master Indenture without any further action or amendment.

Supplemental Indentures Requiring Consent. Exclusive of Supplemental Indentures not requiring the consent of owners as described above and subject to the terms and provisions contained in the Master Indenture, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right from time to time, notwithstanding any other provision of this Indenture, to consent to and approve the execution by VRA and the Trustee of such other Supplemental Indenture or Supplemental Indentures as VRA shall deem necessary or desirable to modify, alter, amend, add to or rescind any of the terms or provisions contained in the Master Indenture or in any Supplemental Indenture; provided, however, that without the consent and approval of the Owners of all of the affected Bonds then Outstanding nothing in the Master Indenture shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest on it, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided herein, or (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture.

Thirty-Seventh Supplemental Series Indenture

The Thirty-Seventh Supplemental Series Indenture supplements the Master Indenture in the following ways.

Establishment of Funds and Accounts for the 2016C Bonds. In accordance with the Master Indenture, the 2016C Cost of Issuance Fund, the 2016C Acquisition Fund and the 2016C Rebate Fund are established with respect to the 2016C Bonds.

The Trustee is directed to establish a Local Account in the 2016C Acquisition Fund for each 2016C Local Obligation.

2016C Cost of Issuance Fund. The Trustee shall apply the amounts in the 2016C Cost of Issuance Fund to pay the costs of issuance of the 2016C Bonds as VRA shall direct pursuant to requisitions in the form provided in the Thirty-Seventh Supplemental Series Indenture. Any of the amounts deposited in the 2016C Cost of Issuance Fund that are not applied to pay the costs of issuance of the 2016C Bonds shall be transferred to the Revenue Fund and applied to pay debt service on the 2016C Bonds before any other amounts therein are so used.

2016C Acquisition Fund.

Purchase of 2016C Local Obligations. The allocation to each Local Account of the respective amount of the sale proceeds of the 2016C Bonds pursuant to the Thirty-Seventh Supplemental Series Indenture shall be deemed the purchase of each of the 2016C Local Obligations.

Disbursements and Transfers from Local Account. Commencing on the Closing Date, each 2016C Local Government may cause the Trustee to disburse amounts on deposit in the Related Local Account in accordance with the Related Agreement. The Trustee shall retain in the Local Account all income and profits, if any, from the investment and reinvestment of amounts therein.

Unexpended Proceeds. If required under the Related Agreement, a Local Government will provide to VRA and the Trustee a certificate stating that certain amounts in the Related Local Account will not be necessary to pay project costs in accordance with the Related Agreement. Upon receipt of such certificate, the Trustee will apply any remaining balance at the direction of the 2016C Local Government in such manner as will not, in the Opinion of Bond Counsel delivered to VRA and the Trustee, have an adverse effect on the tax-exempt status of the 2016C Bonds.

Additional Conditions. Before the issuance and delivery of the 2016C Bonds by the Paying Agent, VRA shall deliver or cause to be delivered to the Trustee the following documents in addition to those required under the Master Indenture.

(a) A Projected Revenue Certificate satisfying the requirements of the section titled "Required Infrastructure Revenue Bond Revenue Coverage; Projected Revenue Certificate" in the Thirty-Seventh Supplemental Series Indenture.

(b) Each Related Local Obligation;

(c) An executed version of each Related Agreement, which shall at a minimum provide for the replenishment and payment by the 2016C Local Government of any amounts withdrawn from and foregone investment earnings on the Capital Reserve Fund due to a failure of the 2016C Local Government to make any payment under the Related Local Obligation;

(d) Certified copies or duplicate originals of all resolutions, documents, certificates and opinions of each 2016C Local Government relating to the Related Agreement or the issuance of the Related 2016C Local Obligation;

(e) Such certificates, instruments and documents as are required by the terms of each Related Agreement;

(f) An opinion of bond counsel to each 2016C Local Government dated the date of the issuance of the Related 2016C Local Obligation which shall, at a minimum, state, subject to customary qualifications, that the Related Local Obligation and Agreement are valid and binding in accordance with their terms; and

(g) The executed Tax Regulatory Agreement for the 2016C Bonds (the "2016C Tax Regulatory Agreement").

2016C Tax Regulatory Agreement. VRA agrees that it will not take any action, or omit to take any action, if any such action or omission would adversely affect the exclusion from gross income of interest on the 2016C Bonds under Section 103 of the Code. VRA agrees that it will not directly or indirectly use or permit the use of any proceeds of the 2016C Bonds or any other funds of VRA or take or omit to take any action that would cause the 2016C Bonds to be "arbitrage bonds" under Section 148(a) of the Code. To these ends, VRA will comply with all requirements of Sections 141 through 150 of the Code, including the rebate requirement of Section 148(f), to the extent applicable to the 2016C Bonds.

Without limiting the generality of the foregoing, VRA agrees that (i) it will not directly or indirectly use or permit the use of the proceeds of the 2016C Tax-Exempt Bonds except in accordance with the 2016C Tax Regulatory Agreement and (ii) insofar as the 2016C Tax Regulatory Agreement imposes duties and responsibilities on VRA, the 2016C Tax Regulatory Agreement is specifically incorporated by reference into the Thirty-Seventh Supplemental Series Indenture.

The Trustee agrees to comply with all written instructions of a VRA Representative given in accordance with the 2016C Tax Regulatory Agreement, but the Trustee shall not be required to ascertain that the instructions comply with the 2016C Tax Regulatory Agreement. The Trustee shall be entitled to receive and may request from time to time from VRA written instructions from a nationally-recognized bond counsel acceptable to the Trustee regarding the interpretation of Sections 141 through 150 of the Code, and the Trustee agrees that it will comply with such directions (upon which the Trustee and VRA may conclusively rely) so as to enable VRA to perform its covenants under the Thirty-Seventh Supplemental Series Indenture.

Notwithstanding any provisions of the Thirty-Seventh Supplemental Series Indenture, if VRA shall provide to the Trustee an opinion of nationally-recognized bond counsel addressed and acceptable to VRA and the Trustee to the effect that any action is not required to maintain the exclusion from gross income of the interest on the 2016C Bonds under Section 103 of the Code, VRA Seventh the Trustee may rely conclusively on such opinion in complying with the provisions of the Thirty-Seventh Supplemental Series Indenture.

Required Infrastructure Revenue Bond Revenue Coverage Certificate. For so long as any of the 2016C Bonds remains Outstanding, each Projected Revenue Certificate filed with the Trustee under the section titled "Conditions of Issuing a Series of Bonds" in the Master Indenture shall show for each Bond Year Infrastructure Revenue Bond Revenue Coverage equal to at least 120%. In other words, for purposes of the conditions for the issuance of additional Series of Bonds and for so long as any of the

2016C Bonds remains Outstanding, "Required Infrastructure Revenue Bond Revenue Coverage" means 120%.

Restriction on Withdrawals from Operating Reserve Fund. For so long as any of the 2016C Bonds remains Outstanding, VRA shall not request any transfer to itself from the Operating Reserve Fund pursuant to the section titled "Operating Reserve Fund" in the Master Indenture unless each request is accompanied by an Officer's Certificate stating that (i) no single Local Government has outstanding an aggregate principal amount of Local Obligations representing more than 20% of the aggregate outstanding principal amount of all Local Obligations purchased or acquired with proceeds of Bonds issued under the Master Indenture and (ii) there are not fewer than twenty different Local Governments with outstanding Local Obligations purchased or acquired with proceeds of Bonds issued under the Master Indenture.

Restriction on Permitted Investments. For so long as any of the 2016C Bonds remains Outstanding, investments or providers of investments in the Capital Reserve Fund must meet certain requirements prescribed by the Rating Agency, including a general requirement that the investment or provider have ratings at least as high as the ratings on the Moral Obligation Bonds Outstanding.

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APPENDIX B

COMMONWEALTH OF VIRGINIA FINANCIAL AND OTHER INFORMATION

APPENDIX B
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INTRODUCTION

This financial and other information was provided by the Commonwealth of Virginia (the "Commonwealth"), its agencies, institutions and authorities. The data were compiled by the Department of the Treasury and were not independently verified; however, the Department of the Treasury has no reason to believe that such material is not true and correct.

GOVERNMENTAL ORGANIZATION

Under the Constitution of Virginia (the "Constitution"), the legislative, executive and judicial powers of the Commonwealth are divided into three separate and distinct departments.

Legislative Department

The legislative power is vested in the General Assembly, the oldest representative lawmaking body in the United States. The General Assembly is bicameral, consisting of a Senate with 40 Senators elected for four-year terms and a House of Delegates with 100 Delegates elected for two-year terms. The General Assembly convenes annually each January. Regular sessions are 60 days in duration in even numbered years and 30 days in odd numbered years, but each can be extended for an additional 30 days by a two-thirds vote of each house.

The General Assembly is assisted in its legislative function by a full-time staff of over 200 persons and various commissions appointed by the General Assembly. The Joint Legislative Audit and Review Commission was established to carry out continuous legislative review and evaluation of Commonwealth programs from the standpoint of cost effectiveness.

The Auditor of Public Accounts is elected by the General Assembly. The Auditor and a staff of approximately 130 persons audit the accounts of all Commonwealth offices, departments, boards, commissions, institutions and other agencies handling Commonwealth funds and report thereon to the General Assembly.

Executive Department

The Governor, Lieutenant Governor and Attorney General are constitutional officers, elected every four years. The present term of each office began January 11, 2014 and each expires January 13, 2018. The Constitution does not allow a Governor to serve successive terms.

The Governor is the Commonwealth's chief executive officer. The Governor advises the General Assembly on the condition of the Commonwealth and makes recommendations for legislation. The Governor is also charged with the responsibility for preparing and executing the Commonwealth's budget. The Governor's veto of legislation may be overridden only by a two-thirds vote of each house of the General Assembly. If deemed necessary for the welfare of the Commonwealth, the Governor may convene the General Assembly at any time. With few exceptions, the Governor appoints the administrative heads and boards of all Commonwealth agencies. Commonwealth agencies report to the Governor through a cabinet of twelve Secretaries appointed by the Governor to supervise and manage the various functions of the Commonwealth's government.

The Lieutenant Governor is next in line in the event of the Governor's inability to serve. The Lieutenant Governor also serves as President of the Senate, but may not vote except in the event of a tie.

The Attorney General is the chief executive officer of the Department of Law. The Department of Law represents the Commonwealth in all civil cases to which the Commonwealth or any of its agencies is a party and in all criminal cases on appeal to the Supreme Court of Virginia. The Attorney General is also the legal advisor to the Governor, General Assembly and heads of Commonwealth agencies.

Judicial Department

The Supreme Court is the Commonwealth's highest court and consists of seven justices appointed by the General Assembly. Several agencies involved in legal administration operate under the control of the Supreme Court. These include the Judicial Inquiry and Review Commission, the Virginia State Bar and the State Board of Bar Examiners. The Commonwealth is divided into 31 Judicial Circuits over which Circuit Judges preside. The Circuit Courts are courts of record having original jurisdiction in cases involving a specified sum and felonies, and appellate jurisdiction over lower District Courts. A Court of Appeals stands between the Circuit Courts and the Supreme Court and has appellate jurisdiction.

FINANCIAL FACTORS

Budgetary Process

The Governor is the chief planning and budget officer of the Commonwealth. The Secretary of Finance and the Department of Planning and Budget assist the Governor in the preparation of executive budget documents. The Governor's Secretaries advise the Governor and the Department of Planning and Budget on the relative priority of the budget requests from their respective agencies.

The Governor is required by statute to present a bill detailing his proposed budget for the next biennium (the "Budget Bill") and a narrative summary of the bill to the General Assembly by December 20th in the year immediately prior to each even-year session. The Budget Bill is introduced in both the House of Delegates and the Senate. It is referred to the House Appropriations and Senate Finance Committees, which hold joint meetings to hear from citizens, from other General Assembly members and from agency representatives. The Budget Bill is then approved by each Committee in an open session and reported to the respective floors for consideration, debate, amendment and passage. After the bill has passed both houses, differences between the House and Senate versions are reconciled by a conference committee from both houses.

Under constitutional provisions, the Governor retains the right in his review of legislative action on the Budget Bill, to suggest alterations to or to veto appropriations made by the General Assembly. After enactment, the Budget Bill becomes law (the "Appropriation Act").

In the odd-year sessions of the General Assembly, amendments are considered to the Appropriation Act enacted in the previous year. The Governor submits a bill by December 20th which includes his proposed amendments to the current biennial budget. It is then introduced in both houses and is considered in the same manner as the regular biennial Budget Bill. The Appropriation Act enacted in the odd-year session is effective upon passage, whereas the regular biennial Appropriation Act is effective July 1, the beginning of the biennium.

An appropriation for a project or service is initially contained in the Appropriation Act enacted by the General Assembly. An agency request for an increase or other adjustments to its legislative appropriation must be reviewed and approved by the Department of Planning and Budget. Under the Constitution, no money may be paid out of the State Treasury except pursuant to appropriations made by law. No such appropriation may be made which is payable more than two years and six months after the end of the session of the General Assembly at which the appropriation was enacted.

Implementation and administration of the provisions of the Appropriation Act are functions of the Governor, assisted by the Secretary of Finance and the Department of Planning and Budget. This process also involves constant monitoring of revenue collections and expenditures to ensure that a balanced budget is maintained. The Appropriation Act requires that if projected revenue collections fall below amounts appropriated, the Governor must reduce expenditures and withhold allotments of appropriations, with the exception of amounts needed for debt service and specified other purposes, to the extent necessary to prevent any expenditure in excess of estimated revenues. The Appropriation Act provides that up to 15 percent of a general fund appropriation to an agency may be withheld, if required.

The Constitution requires the Governor to ensure that expenses do not exceed total revenues anticipated plus fund balances during the period of two years and six months following the end of the General Assembly session in which the appropriations are made. A Revenue Stabilization Fund was established by constitutional amendment effective January 1, 1993, and is available to offset, in part, anticipated shortfalls in revenues in years when revenues are forecasted to decline by more than two percent of the certified tax revenues collected in the most recently ended fiscal year. Deposits to the Fund are made pursuant to Constitutional provisions based on tax revenue collections as certified by the Auditor of Public Accounts. If in any year total revenues are forecast to decline by more than two percent of the certified tax revenues collected in the most recently ended fiscal year, the General Assembly may appropriate for transfer up to one-half of the Revenue Stabilization Fund balance to the General Fund to stabilize revenues. This transfer shall not exceed one-half of the forecast shortfall. The maximum balance in the Fund can consist of an amount not to exceed 15 percent of the Commonwealth's average annual tax revenues derived from income and retail sales taxes for the three immediately preceding fiscal years, as certified by the Auditor of Public Accounts. If any amounts accrue to the credit of the Fund in excess of the 15 percent limitation, such as through interest or dividends, the Treasurer shall promptly transfer any such excess amounts to the General Fund.

Development of Revenue Estimates

The development of the General Fund revenue estimate begins with the selection of a forecast of national economic activity for the state budget period prepared by independent economic forecasting firms based on the advice of the Joint Advisory Board of Economists and the Commonwealth's own staff. The national economic forecast is used to develop a forecast of similar indicators of in-state activity. The Governor's Advisory Council on Revenue Estimates also examines the economic assumptions with respect to the general economic climate of the Commonwealth.

After the development of forecasts of major Commonwealth economic indicators, revenue estimates are generated using revenue forecasting models developed and maintained by the Department of Taxation. Adjustments are made on a revenue source-by-source basis for any legislative, judicial or administrative changes that would affect the projected level of revenues but that cannot be forecast by models constructed using historical data. Finally, adjustments are made if revenues are substantially above or below the projected level.

Financial Control Procedures

The General Assembly appropriates funds for a particular program in the Appropriation Act. These funds must then be allotted by the Governor and the Department of Planning and Budget for specific purposes. The State Comptroller accounts for certain specific personnel and non-personnel transactions. Once appropriation, allotment and accounting procedures have been completed, funds are disbursed by the State Treasurer upon a warrant of the State Comptroller drawn at the request of the responsible agency. The Auditor of Public Accounts audits such financial transactions to assure the reporting of such transactions is in compliance with generally accepted accounting principles.

The Director of the Department of Planning and Budget is appointed by the Governor. The Department of Planning and Budget monitors and evaluates the use of resources to ensure that agencies are delivering effective and efficient services. The Governor is empowered to withhold appropriations to agencies in the event that expenditures are no longer warranted or are not being made for the purposes for which the funds were initially appropriated.

The State Comptroller, who is appointed by the Governor subject to confirmation by the General Assembly, is the director of the Department of Accounts, the central accounting agency of the Commonwealth. The State Comptroller maintains a complete system of general accounts of every department, division, office, board, commission, institution and agency of the Commonwealth. In order to assure uniform accounting practices among the agencies and to avoid duplication, the State Comptroller also prescribes the accounts and control records that are to be kept by each state agency.

The State Treasurer, who is also appointed by the Governor subject to confirmation by the General Assembly, is the director of the Department of the Treasury. This department receives, maintains custody of and disburses all funds of the Commonwealth.

Unlike the State Comptroller and the State Treasurer, the Auditor of Public Accounts is appointed by the General Assembly for a term of four years and is, therefore, part of the Legislative Department rather than the Executive Department. The principal function of the Auditor is to audit the accounts of all state departments, offices, boards, commissions, institutions and agencies handling state funds. In the event the Auditor discovers some irregularity or misuse of funds, it is his duty to inform the Governor, the Joint Legislative Audit and Review Commission and the State Comptroller.

Investment of Public Funds

It is the policy of the State Treasurer to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all statutes governing the investment of public funds. The General Account of the Commonwealth, which is comprised of funds collected and held for various fund groups including the General Fund, is divided into two major portfolios. Both portfolios are managed in accordance with guidelines promulgated by the Treasury Board. The Primary Liquidity Portfolio, representing approximately 75 percent of the General Account, provides for disbursements and operational needs. Safety of principal and liquidity are the objectives of this portfolio. The Extended Duration and Credit Portfolio, which can be up to 25 percent of the General Account, is structured to generate investment returns over the long term higher than the return on the Primary Liquidity Portfolio, while maintaining sound credit quality and providing secondary liquidity.

Financial Statements

The Commonwealth operates on a fiscal year basis beginning on July 1 and ending on June 30. The Commonwealth's financial statements, audited by the Auditor of Public Accounts, for the fiscal year ended June 30, 2015, are contained in the Commonwealth Comprehensive Annual Financial Report (the "CAFR") available at www.doa.virginia.gov. The financial statements conform to GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The financial statements include government-wide statements using full accrual accounting, fund financial statements that use different accounting approaches based on the type of fund, and a reconciliation of the two types of statements. See the section in the CAFR entitled "Management's Discussion and Analysis" for a more detailed explanation of the types of financial statements prepared. The Commonwealth's annual budget is prepared principally on a cash basis and represents departmental appropriations as authorized by the General Assembly. Under the cash basis of accounting, revenues and other financial resources are recognized in the accounting period in which cash is received; expenditures and other financial uses are recognized when cash is disbursed. The section of the CAFR entitled "Required Supplementary Information" reconciles the budgetary (*i.e.*, cash) presentation to the financial statements. The Preliminary Annual Report for the year ended June 30, 2016, which is comprised of cash basis financial statements, is presented on an unaudited basis, and is available at www.doa.virginia.gov. The audited CAFR for the fiscal year ended June 30, 2016 will be available on December 15, 2016.

Summary of General Fund Revenues, Expenditures and Changes in Fund Balance

The following tables summarize the Commonwealth's General Fund revenues, expenditures and fund balance on a cash basis for fiscal years 2012 through 2016 and compares the final budget numbers to actual numbers.

The General Fund balance, as shown on page B-5, decreased by $280.7 million in fiscal year 2016, an decrease of 16.0 percent from fiscal year 2015. Overall tax revenues increased by 1.5 percent from fiscal year 2015 to fiscal year 2016. Individual and Fiduciary Income tax revenues increased by 1.8 percent. Corporation Income tax collections decreased by 8.0 percent from fiscal year 2015 to fiscal year 2016. Other tax collections, which includes Deeds, Contracts, Wills and Suits; Alcoholic Beverage Sales; Tobacco Products; Estate and Other Taxes overall increased by 4.5 percent from fiscal year 2015 to fiscal year 2016. Tax revenue increases occurred in the form of a 12.8 percent increase in Premiums of Insurance Companies tax collections and a 1.8 percent increase in Sales and Uses tax collections. Tax revenue decreases occurred in the form of a 6.0 percent decrease in Public Service Corporation tax collections and a 2.5 percent decrease in Communications Sales and Use tax collections. Overall revenue increased by 2.0 percent and non-tax revenues increased by 14.2 percent. Overall expenditures increased by 5.1 percent in fiscal year 2016, compared to a 2.9 percent increase in fiscal year 2015. Individual and family service expenditures increased by $473.4 million, or 8.2 percent, and education expenditures increased by $166.6 million, or 2.1 percent. General government expenditures increased $223.2 million or 9.8 percent.

Of the $1.48 billion fund balance as of June 30, 2016, $235.5 million was restricted as the Revenue Stabilization Fund (the Stabilization "Fund"). During fiscal year 2016, a withdrawal of $235.5 million was made from the Stabilization Fund. The Stabilization Fund is segregated from the General Fund and can be used only for constitutionally authorized purposes. Virginia law directs that the Stabilization Fund be included as a component of the General Fund only for financial reporting purposes.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, and based on fiscal year 2013 revenue collections, a deposit of $243.2 million was made to the Stabilization Fund during fiscal year 2015. In addition, a deposit of $605.6 million is required during fiscal year 2017 based on fiscal year 2015 revenue collections. A deposit in 2018 is not required based on fiscal year 2016 revenue collections. The required deposits are reported as restricted components of fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2016, the Constitutional maximum is $2.4 billion. Section 2.2-1829(b) of the Code of Virginia, requires that if certain revenue criteria are met, then an additional deposit to the Stabilization Fund equal to at least one-half the mandatory deposit must be included in the Governor's budget. The Code further requires that any such additional deposits to the Stabilization Fund shall be included in the Governor's budget recommendations only if the estimate of General Fund revenues for the fiscal year in which the deposit is to be made is at least five percent greater than the actual General Fund revenues for the immediately preceding fiscal year. These conditions were not met for fiscal year 2016.

SUMMARY OF GENERAL FUND
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – CASH BASIS
(in thousands)

	2012	2013	2014	2015	2016*
Revenues:					
Taxes					
Individual and Fiduciary Income	$10,612,836	$11,339,966	$11,253,348	$12,328,675	$12,555,624
State Sales and Use	3,335,601	3,441,195	3,400,486	3,587,849	3,651,400
Corporation Income	859,923	796,728	757,491	831,907	764,948
Communications Sales and Use	424,257	427,262	422,823	417,209	406,707
Deeds, Contracts, Wills and Suits	330,938	388,633	318,998	354,461	377,699
Premiums of Insurance Companies	252,895	262,242	320,421	300,641	339,081
Alcoholic Beverage Sales	186,377	195,192	199,225	207,802	217,594
Tobacco Products	192,453	187,874	180,626	178,996	178,741
Estate	298	-	196	98	222
Public Service Corporations	94,429	96,222	98,156	98,537	92,586
Other Taxes	20,442	18,036	28,760	30,251	32,107
Total Taxes	16,310,449	17,153,350	16,980,530	18,336,426	18,616,709
Rights and Privileges	72,817	76,931	79,085	78,654	84,628
Sales of Property and Commodities	30,146	25,477	30,682	28,930	42,671
Assessments and Receipts for Support of Special	2,570	858	931	1,582	3,539
Institutional Revenue	38,134	37,210	36,143	38,240	36,819
Interest, Dividends, Rents	83,055	72,958	78,333	54,626	57,680
Fines, Forfeitures, Court Fees, Penalties, and Escheats	216,032	216,788	211,512	216,698	222,039
Federal Grants and Contracts	-	6,354	9,454	6,416	3,868
Receipts from Cities, Counties, and Towns	16,209	15,813	16,318	16,533	16,951
Private Donations, Gifts and Contracts	680	439	438	775	364
Tobacco Master Settlement	49,136	74,010	48,693	48,207	47,664
Other	282,731	238,148	190,636	158,807	225,342
Total Revenues	17,101,959	17,918,336	17,682,755	18,985,894	19,358,274
Expenditures:					
General Government	2,096,588	2,173,327	2,215,179	2,273,965	2,497,121
Education	7,123,221	7,587,805	7,755,863	7,928,734	8,095,292
Transportation	462	172	773	836	328
Resources and Economic Development	353,567	389,221	406,052	413,053	413,406
Individual and Family Services	5,027,601	5,383,507	5,525,897	5,765,208	6,238,651
Administration of Justice	2,284,948	2,443,464	2,519,888	2,586,618	2,678,980
Capital Outlay	7,627	6,274	10,663	6,510	26,010
Total Expenditures	16,894,014	17,983,770	18,434,315	18,974,924	19,949,788
Revenues Over (Under) Expenditures	207,945	(65,434)	(751,560)	10,970	(591,514)
Other Financing Sources (Uses):					
Transfers In	799,070	712,400	770,542	866,913	775,363
Transfers Out	(621,163)	(509,749)	(490,310)	(468,029)	(464,559)
Total Other Financing Sources (Uses)	177,907	202,651	280,232	398,884	310,804
Revenues and Other Sources Over (Under) Expenditures and Other Uses	385,852	137,217	(471,328)	409,854	(280,710)
Fund Balance, July 1:					
Restricted	456,384	707,401	940,906	943,491	1,082,618
Committed	461,140	518,619	556,076	365,220	328,791
Assigned	380,036	457,392	323,647	40,590	347,746
Total Fund Balance, July 1,	1,297,560	1,683,412	1,820,629	1,349,301	1,759,155
Fund Balance, June 30:					
Restricted	707,401	940,906	943,491	1,082,618	855,001
Committed	518,619	556,076	365,220	328,791	429,390
Assigned	457,392	323,647	40,590	347,746	194,054
Total Fund Balance, June 30	$1,683,412	$1,820,629	$1,349,301	$1,759,155	$1,478,445

* *Preliminary and Unaudited.*

Source: Department of Accounts.

SUMMARY OF GENERAL FUND
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND VARIANCE OF ACTUAL-BUDGETARY BASIS
(in thousands)

	Fiscal Year Ended June 30,			
	2012		2013	
	Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)
Revenues:				
Taxes				
Individual and Fiduciary Income	$10,526,400	$86,436	$11,092,600	$247,366
State Sales and Use	3,282,100	53,501	3,471,616	(30,421)
Corporation Income	827,800	32,123	820,900	(24,172)
Communications Sales and Use	440,000	(15,743)	440,000	(12,738)
Public Service Corporations	93,900	529	95,300	922
Premiums of Insurance Companies	287,300	(34,405)	255,600	6,642
Other [1]	717,589	12,919	743,309	46,426
Total Taxes	$16,175,089	$135,360	$16,919,325	$234,025
Rights and Privileges	82,838	(10,021)	79,663	(2,732)
Institutional Revenue	40,511	(2,377)	41,668	(4,458)
Interest, Dividends, Rents and Other Investment Income	82,442	613	68,064	4,894
Tobacco Master Settlement	50,205	(1,069)	52,733	21,277
Other [2]	428,272	120,096	413,991	89,886
Total Revenues	$16,859,357	$242,602	$17,575,444	$342,892
Expenditures:				
General Government	2,196,546	99,958	2,360,523	187,196
Education	7,225,088	101,867	7,670,879	83,074
Transportation	462	-	172	-
Resources and Economic Development	415,708	62,141	512,266	123,045
Individual and Family Services	5,149,191	121,590	5,488,489	104,982
Administration of Justice	2,383,519	98,571	2,477,411	33,947
Capital Outlay	19,397	11,770	36,297	30,023
Total Expenditures	$17,389,911	$495,897	$18,546,037	$562,267
Revenues Over (Under) Expenditures	$(530,554)	$738,499	$(970,593)	$905,159
Other Financing Sources (Uses):				
Transfers In	748,237	50,833	699,253	13,147
Transfers Out	(602,512)	(18,651)	(493,024)	(16,725)
Total Other Financing Sources (Uses)	$145,725	$32,182	$206,229	$(3,578)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(384,829)	770,681	(764,364)	901,581
Fund Balance, July 1	1,297,560	-	1,683,412	-
Fund Balance, June 30	$912,731	$770,681	$919,048	$901,581

[1] Note that under Taxes above, certain line items have been combined into the "Other" line item; they are: "Deeds, Contracts, Wills and Suits," "Alcoholic Beverage Sales", "Tobacco Products", "Estate" and "Other". The reason for this is consistency with the CAFR line items.

[2] Note that under Revenues above, certain line items have been combined into the "Other" line item; they are: "Sales of Property and Commodities," "Assessments and Receipts for Support of Special Services," "Fines, Forfeitures, Court Fees, Penalties, and Escheats," "Federal Grants and Contracts," "Receipts from Cities, Counties, and Towns", "Private Donations, Gifts, and Contracts" and "Other". The reason for this is consistency with the CAFR line Items.

** Preliminary and Unaudited*

Source: Department of Accounts.

Fiscal Year Ended June 30,					
2014		2015		2016*	
Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)
$11,669,100	$(415,752)	$11,816,300	$512,375	$12,823,000	($267,376)
3,414,100	(13,614)	3,568,100	19,749	3,734,400	(83,000)
769,900	(12,409)	840,900	(8,993)	722,800	42,148.00
440,000	(17,177)	425,000	(7,791)	419,000	(12,293)
97,700	456	96,800	1,737	98,900	(6,314)
289,400	31,021	320,500	(19,859)	322,700	16,381
786,805	(59,000)	733,367	38,241	808,478	(2,155)
$17,467,005	$(486,475)	$17,800,967	535,459	$18,929,278	($312,609)
89,910	(10,825)	87,192	(8,538)	85,179	(551)
41,485	(5,342)	41,796	(3,556)	46,422	(9,603)
50,572	27,761	62,629	(8,003)	47,089	10,591
49,727	(1,034)	51,086	(2,879)	47,962	(298)
437,459	22,512	411,136	18,605	453,470	61,304
$18,136,158	$(453,403)	$18,454,806	$531,088	$19,609,400	($251,166)
2,272,147	56,968	2,334,088	60,123	2,571,068	73,947
7,823,406	67,543	7,977,968	49,234	8,142,706	47,414
1,312	539	2,367	1,531	363	35
460,327	54.275	465,224	52,171	475,598	62,192
5,655.699	129,802	5,827,264	62,056	6,291,377	52,726
2,531,750	11,862	2,608,951	22,333	2,700,068	21,088
32,047	21,384	31,380	24,870	110,556	84,546
$18,776,688	$342,373	$19,247,242	$272,318	$20,291,736	$341,948
$(640,530)	$(111,030)	$(792,436)	803,406	$682,336	$90,782
745,413	25,129	864,788	2,125	762,600	12,763
(473,579)	(16,731)	(431,678)	(36,351)	(460,976)	(3,583)
$271,834	$8,398	433,110	$(34,226)	301,624	9,180
(368,696)	(102,632)	(359,326)	769,180	(380,712)	100,002
1,820,629	-	1,349,301	-	1,759,155	0
$1,451,933	$(102,632)	$989,975	$769,180	$1,378,443	$100,002

**Preliminary and Unaudited.*

General Fund Revenues

Of total fiscal year 2016 tax revenue, 97.2 percent was derived from six major taxes imposed by the Commonwealth: Individual and Fiduciary Income Taxes, State Sales and Use Taxes, Corporate Income Taxes, Communications Sales and Use Taxes, Taxes on Deeds, Contracts, Wills and Suits and Taxes on Premiums of Insurance Companies.

Individual and fiduciary income taxes are the principal component of General Fund revenues. These revenues support a number of government functions, primarily education, individual and family services, public safety and general government. General Fund revenues are available for payment of debt service obligations of the Commonwealth.

Individual and Fiduciary Income Taxes: (67.4 percent of Total Taxes in fiscal year 2016) The individual and fiduciary income tax applies to income derived by resident and non-resident individuals and fiduciaries. The tax is based on a taxpayer's federal adjusted gross income with modifications, if applicable, and with deductions for personal exemptions and standard or itemized deductions. The following tax rates are applicable to net taxable income for the taxable year 2016:

PERSONAL TAX RATES

Taxable Income	Rate	Of Excess Over
$0 – $3,000	2.00%	
$3,001 – $5,000	$ 60 + 3.00%	$ 3,000
$5,001 – $17,000	$120 + 5.00%	$ 5,000
Over $17,000	$720 + 5.75%	$17,000

Source: Department of Taxation.

An individual income tax return for a taxable year must be filed by May 1 of the following year. Prepayment of the tax on most earnings is accomplished through withholdings by employers. Employers must transfer withholding taxes to the Department of Taxation quarterly, monthly or, in some cases, eight times a month. Individual income taxpayers are required to file a declaration of estimated tax for any income not subject to withholding and pay one-fourth of such estimated tax in quarterly installments.

State Sales and Use Taxes: (19.6 percent of Total Taxes in fiscal year 2016) A sales and use tax is imposed at the rate of 5.3 percent on the sale, rental, lease or storage for use or consumption of tangible personal property except food for home consumption. Food for home consumption is taxed at a rate of 2.5 percent. There are certain exclusions from the tax, including motor vehicles, aircraft and large watercraft, prescription medicines. One percent of the 5.3 percent sales tax and of the 2.5 percent sales tax on food for home consumption is distributed to localities on the basis of school age population for use in public education.

Retail sellers collect the sales and use taxes from customers at the time of sale. Sellers are required to remit collected taxes either monthly or quarterly.

Corporation Income Taxes: (4.1 percent of Total Taxes in fiscal year 2016) The Commonwealth imposes a 6 percent income tax on the net income of all corporations having income from sources in the Commonwealth, whether domestic or foreign, with the exception of insurance companies, inter-insurance exchanges, state and national banks, banking associations, companies doing business on a mutual basis, credit unions and non-profit corporations. Commonwealth taxable income is based on federal income, with modifications. If a corporation is engaged in multi-state activities, and if its income is taxable both by the Commonwealth and another state, the Commonwealth permits the corporation to apportion its taxable income (other than dividends which are allocated according to the commercial domicile of the taxpayer) according to a three factor formula comprised of property, payroll and sales.

A corporation income tax return must be filed on or before the 15th day of the 4th month following the close of the corporation's taxable year. Corporations are required to make a declaration of estimated tax directly to the Department of Taxation and pay such estimated tax in such taxable year.

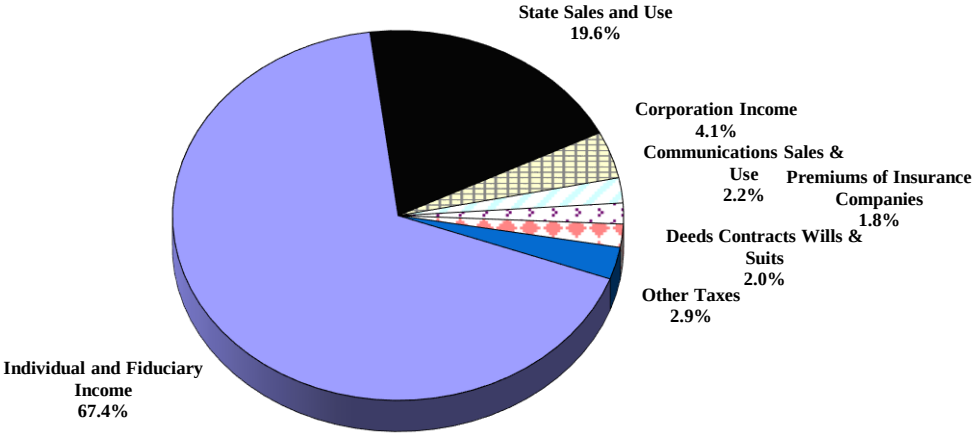
Communication Sales and Use Taxes: (2.2 percent of Total Taxes in fiscal year 2016) The Commonwealth collects communication sales and use taxes and disburses these amounts to localities.

Taxes on Deeds, Contracts, Wills and Suits: (2.0 percent of Total Taxes in fiscal year 2016) The Commonwealth taxes the admission to record of deeds, deeds of trust, mortgages, leases and contracts at the rate of 25 cents per $100 of consideration or value, whichever is greater. An additional tax is imposed on deeds or conveyances of real estate at the rate of 50 cents per $500 of consideration or value, whichever is greater exclusive of the value of any lien or encumbrance. A tax is also imposed on the probate of wills and grants of administration not exempt by law at the rate of 10 cents per $100 of the value of the probate estate. A tax ranging from $5 to $25 is imposed on the filing of various types of legal actions.

Taxes on Premiums of Insurance Companies: (1.8 percent of Total Taxes in fiscal year 2016) Insurance companies are required to pay an annual license tax measured by the gross premium income derived from business done in the Commonwealth. The rate of tax varies according to the type of company. Insurance companies subject to this state license tax must make a declaration of estimated tax and pay one-fourth of such estimated tax in quarterly installments.

The following pie chart summarizes general revenue fund tax revenue by source.

COMPOSITION OF GENERAL FUND TAX REVENUES BY SOURCE
Fiscal Year Ended June 30, 2016*



**2016 Preliminary and Unaudited.*

Collection of Delinquent Tax

When the Department of Taxation determines that taxes are delinquent, the taxpayer is sent a billing notice. A second notice is sent 30 days later demanding immediate payment within 10 days. If payment is not received at the end of that time, the Department of Taxation may take legal action to obtain payment including the placement of a lien on the taxpayer's wages or bank account. If the delinquency exceeds $100, the Department of Taxation may issue a memorandum of lien against the taxpayer's property. If subsequent to these actions satisfactory payment arrangements are not made, the Department of Taxation may execute the memorandum of lien or initiate court proceedings against the taxpayer.

Penalties for late payment or nonpayment of most taxes are assessed at the rate of 6 percent per month, not to exceed 30 percent of the delinquent tax liability. Interest on late or under payments is charged at an annualized rate of interest established pursuant to Section 6621(a) (2) of the federal Internal Revenue Code, plus 2 percent.

The following table presents total outstanding collectible tax receivables for all tax types at the end of fiscal years 2011 through 2015:

OUTSTANDING COLLECTIBLE TAX RECEIVABLES

Fiscal Year Ended June 30,	Amount
2012	489,381,022*
2013	543,912,785*
2014	552,666,423*
2015	574,351,971*
2016	597,103,392*

**Amount does not include non-billed or uncollectible receivables.*
**Preliminary and Unaudited.*

Source: Department of Taxation.

General Fund Expenditures

General Fund expenditures relate to resources used for those services traditionally provided by a state government, which is not accounted for in any other fund. These services include general government, legislative, public safety, judicial, health and mental health, human resources, licensing and regulation, and primary and secondary education (See table on page B-5).

Education: (40.6 percent of Total Expenditures in fiscal year 2016) Expenditures for education support individuals in developing knowledge, skills and cultural awareness, including elementary and secondary education instruction, supervision and assistance.

Individual and Family Services: (31.3 percent of Total Expenditures in fiscal year 2016) Expenditures for individual and family services support programs to benefit the economic, social and physical well-being of the individual and family, including disease research, control and prevention.

Administration of Justice: (13.4 percent of Total Expenditures in fiscal year 2016) Expenditures for administration of justice relate to the activities of the civil and criminal justice systems. These activities encompass the apprehension, trial, punishment and rehabilitation of law violators, and the deterrence and detection of crime.

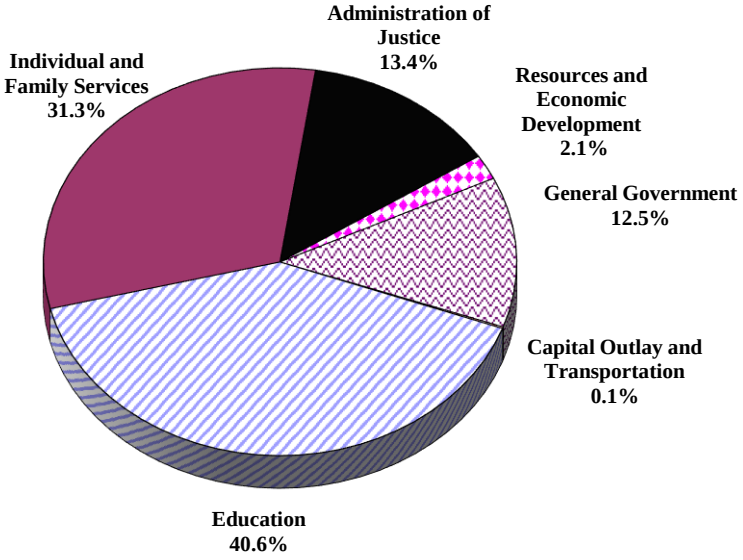
General Government: (12.5 percent of Total Expenditures in fiscal year 2016) General government expenditures support the general activities of state, regional and local levels of government. These activities include financial assistance to localities, enactment of legislative policy, intergovernmental projects, and distribution of sales and use taxes to localities, and payments to localities pursuant to the Personal Property Tax Relief Act of 1998.

Resources and Economic Development: (2.1 percent of Total Expenditures in fiscal year 2016) Resources and economic development expenditures support activities to develop the Commonwealth's economic base, including alternative natural resources, and to regulate this base with regard to the public interest of the Commonwealth.

Capital Outlay & Transportation: (0.1 percent of Total Expenditures in fiscal year 2016) Expenditures for capital outlay relate to the construction and renovation of state-owned buildings and facilities. Transportation expenditures relate to the movement by road, water or air of people, goods and services, and the regulation thereof.

The following pie chart summarizes the general fund expenditures by source:

DISTRIBUTION OF GENERAL FUND EXPENDITURES BY SOURCE
Fiscal Year Ended June 30, 2016*



General Fund Balance

The Commonwealth's General Fund unreserved fund balance for the last ten fiscal years is shown below:

UNRESERVED GENERAL FUND ENDING BALANCE
(in thousands)

Fiscal Year	Cash Basis	Modified Accrual Basis
2007	1,534,573	563,367
2008	1,091,882	78,468
2009	160,986	-927,977
2010	491,244	-1,069,071
2011	*	*
2012	*	*
2013	*	*
2014	*	*
2015	*	*
2016	*	*

**See 2011, 2012, 2013, 2014, 2015 and 2016 below for an explanation as to how GASB 54 has required a change in the unreserved General Fund balance classification. Refer to Fund Balances Chart as set forth on page B-5.*
**Preliminary and Unaudited.*

Source: Department of Accounts.

2012. General Fund revenues and other sources exceeded expenditures and other uses by $385.9 million in fiscal year 2012. Total revenues increased by 5.5 percent and total expenditures increased by 5.0 percent. Transfers to the General Fund increased by 15.2 percent while transfers out increased by 27.3 percent. Transfers to and from Component Units in fiscal year 2012 are reported as expenditures and revenues in accordance with GASB Statement No. 34. With the implementation of GASB No. 54, the fund equity classifications of Reserved and Unreserved have been changed to Restricted, Committed, Assigned, and Unassigned. Restricted fund balances are those that have a restriction by the *Constitution of Virginia* or from a party external to the Commonwealth. Committed fund balances represent amounts that have been legislatively mandated for a specific purpose. Assigned fund balances represent amounts the Commonwealth has identified for a specific purpose, but for which the use is not legislatively mandated. Unassigned fund balances are those that have not been restricted, committed, or assigned to specific purposes. Due to statutory requirements, any unassigned balances in the General Fund on a cash basis are automatically committed for transfer to the Transportation Trust Fund and for nonrecurring expenditures. The table on page B-5 reflects the Fund Balance as of June 30, 2012 in these classifications.

2013. General Fund revenues and other sources exceeded expenditures and other uses by $137.2 million in fiscal year 2013. Total revenues increased by 4.8 percent and total expenditures increased by 6.5 percent. Transfers to the General Fund decreased by 10.9 percent while transfers out decreased by 17.9 percent. Transfers to and from Component Units in fiscal year 2013 are reported as expenditures and revenues in accordance with GASB Statement No. 34. With the implementation of GASB No. 54, the fund equity classifications of Reserved and Unreserved have been changed to Restricted, Committed, Assigned, and Unassigned. Restricted fund balances are those that have a restriction by the *Constitution of Virginia* or from a party external to the Commonwealth. Committed fund balances represent amounts that have been legislatively mandated for a specific purpose. Assigned fund balances represent amounts the Commonwealth has identified for a specific purpose, but for which the use is not legislatively mandated. Unassigned fund balances are those that have not been restricted, committed, or assigned to specific purposes. Due to statutory requirements, any unassigned balances in the General Fund on a cash basis are automatically committed for transfer to the Transportation Trust Fund and for nonrecurring expenditures. The table on page B-5 reflects the Fund Balance as of June 30, 2013 in these classifications.

2014. General Fund revenues and other sources were less than expenditures and other uses by $471.3 million in fiscal year 2014. Total revenues decreased by 1.3 percent and total expenditures increased by 2.5 percent. Transfers to the General Fund increased by 8.2 percent while transfers out decreased by 3.8 percent. Transfers to and from Component Units in fiscal year 2014 are reported as expenditures and revenues in accordance with GASB Statement No. 34. With the implementation of GASB No. 54, the fund equity classifications of Reserved and Unreserved have been changed to Restricted, Committed, Assigned, and Unassigned. Restricted fund balances are those that have a restriction by the *Constitution of Virginia* or from a party external to the Commonwealth. Committed fund balances represent amounts that have been legislatively mandated for a specific purpose. Assigned fund balances represent amounts the Commonwealth has identified for a specific purpose, but for which the use is not legislatively mandated. Unassigned fund balances are those that have not been restricted, committed, or assigned to specific purposes. Due to statutory requirements, any unassigned balances in the General Fund on a cash basis are automatically committed for transfer to the Transportation Trust Fund and for nonrecurring expenditures. The table on page B-5 reflects the Fund Balance as of June 30, 2014 in these classifications.

2015. General Fund revenues and other sources exceeded expenditures and other uses by $409.9 million in fiscal year 2015. Total revenues increased by 7.4 percent and total expenditures increased by 2.9 percent. Transfers to the General Fund increased by 12.5 percent while transfers out decreased by 4.5 percent. Transfers to and from Component Units in fiscal year 2015 are reported as expenditures and revenues in accordance with GASB Statement No. 34. With the implementation of GASB No. 54, the fund equity classifications of Reserved and Unreserved have been changed to Restricted, Committed, Assigned, and Unassigned. Restricted fund balances are those that have a restriction by the *Constitution of Virginia* or from a party external to the Commonwealth. Committed fund balances represent amounts that have been legislatively mandated for a specific purpose. Assigned fund balances represent amounts the Commonwealth has identified for a specific purpose, but for which the use is not legislatively mandated. Unassigned fund balances are those that have not been restricted, committed, or assigned to specific purposes. Due to statutory requirements, any unassigned balances in the General Fund on a cash basis are automatically committed for transfer to the Transportation Trust Fund and for nonrecurring expenditures. The table on page B-5 reflects the Fund Balance as of June 30, 2015 in these classifications.

2016. *(Preliminary and Unaudited*.) General Fund revenues and other sources were less than expenditures and other uses by $280.7 million in fiscal year 2016. Total revenues increased by 2.0 percent and total expenditures increased by 5.1 percent. Transfers to the General Fund decreased by 10.6 percent while transfers out decreased by 0.7 percent. Transfers to and from Component Units in fiscal year 2016 are reported as expenditures and revenues in accordance with GASB Statement No. 34. With the implementation of GASB No. 54, the fund equity classifications of Reserved and Unreserved have been changed to

Restricted, Committed, Assigned, and Unassigned. Restricted fund balances are those that have a restriction by the *Constitution of Virginia* or from a party external to the Commonwealth. Committed fund balances represent amounts that have been legislatively mandated for a specific purpose. Assigned fund balances represent amounts the Commonwealth has identified for a specific purpose, but for which the use is not legislatively mandated. Unassigned fund balances are those that have not been restricted, committed, or assigned to specific purposes. Due to statutory requirements, any unassigned balances in the General Fund on a cash basis are automatically committed for transfer to the Transportation Trust Fund and for nonrecurring expenditures. The table on page B-6 reflects the Fund Balance on a preliminary and unaudited basis as of June 30, 2016 in these classifications.

Nongeneral Fund Revenues

Nongeneral fund revenues consist of all revenues not accounted for in the General Fund. Included in this category are special taxes and user charges earmarked for specific purposes, the majority of institutional revenues and revenues from the sale of property and commodities, and receipts from the federal government.

Approximately 50 percent of the nongeneral revenues are accounted for by grants and donations from the federal government, motor vehicle taxes and institutional revenues. Institutional revenues consist primarily of fees and charges collected by institutions of higher education, medical and mental hospitals and correctional institutions. Motor vehicle related taxes include the motor vehicle fuel tax, motor vehicle sales and use tax, oil excise tax, driver's license fee, title registration fee, motor vehicle registration fee and other miscellaneous revenues.

Below is a summary of revenues and expenditures for the largest of the Commonwealth's Special Revenue Funds, the Commonwealth Transportation Fund, prepared according to generally accepted accounting principles.

COMMONWEALTH TRANSPORTATION FUND*
(in thousands)

	Fiscal Year Ended June 30,				
	2011	**2012**	**2013**	**2014**	**2015**
Total revenues	$3,849,149	$3,871,439	$4,306,638	$4,988,575	$5,422,649
Total expenditures	3,884,844	4,488,603	4,633,673	5,154,523	5,438,605
Revenues over (under) expenditures	(35,695)	(617,164)	(327,035)	(165,948)	(15,956)
Other sources (uses) net	461,147	929,228	1,508	27,722	15,828
Revenue and other sources (uses) over (under) expenditures	425,452	312,064	(325,527)	(138,226)	(128)
Beginning fund balance (adjusted)	2,009,078	2,434,530	2,739,308	2,402,970	2,271,235
Ending fund balance	$2,434,530	$2,746,594	$2,413,781	$2,264,744	$2,271,107

Notes: *Included in the Commonwealth Transportation Fund (formerly Highway Maintenance and Construction Fund) is the activity of the Highway Maintenance and Operating Fund and the Transportation Trust Fund. The Transportation Trust Fund was created in September 1986 during a special session of the Virginia General Assembly.*

** 2016 Data not yet available.*

Source: *Reports of the Comptroller, 2011-2015.*

2016 Amendments to the 2015 Appropriation Act

On December 17, 2015 Governor McAuliffe presented amendments to the 2015 Appropriation Act affecting appropriations for the remainder of the 2014-2016 biennium (House Bill 29/Senate Bill 29). 33 individual amendments increase general fund spending by $238.4 million and 14 individual amendments decrease spending by $69.1 for a net operating spending increase of $169.2 million for the remainder of fiscal year 2016. The Governor's amendments also included an additional $1.5 million in general fund capital outlay appropriation.

The amendments that result in general fund appropriation reductions are technical in nature and include items such as capturing savings from revised K12 student enrollment projections, updating Lottery proceeds for public education, and recognizing debt management savings.

Increases in general fund appropriation in the Governor's amendments are primarily a result of workload, caseload, or inflationary changes and include items such as Medicaid utilization and inflation, Children's Services Act expenditure and caseload growth, per diem payments to local and regional jails, rebasing intellectual disability training center budgets to reflect anticipated closures, and funding for required Social Services eligibility system operating cost.

The Governor's 2016 Amendments to the 2015 Appropriation Act were considered by the 2016 Session of the General Assembly which convened on January 14, 2016. The General Assembly adjourned on March 11, 2016 offering their recommendations for additional amendments to the bill impacting the remainder of the 2015-16 biennium (House Bill 29).

On April 10, 2016, Governor McAuliffe signed House Bill 29 with no amendments or vetoes. The 2016 Amendments to the 2015 Appropriation Act, also known as Chapter 732, 2016 Virginia Acts of Assembly became effective upon signing by the Governor on April 10, 2016.

The final version of the 2016 Amendments to the 2015 Appropriation Act in large part contained several amendments that were technical in nature or were intended to address emergent issues. Some notable amendments included: $11.3 million for Per Diem payments to local and regional jails; $18.1 million for Children's Services Act caseload growth, $172 million for various Medicaid adjustments, and $172.7 million to provide a lump sum payment to the Virginia Retirement System.

Chapter 732 assumed a general fund balance at the end of the biennium of $265.3 million.

The table on the following page summarizes Chapter 732, 2016 Acts of Assembly.

2016 Amendments to the 2015 Appropriation Act
(Chapter 732, 2016 Acts of Assembly)

	FY 2015	FY 2016	Total
GENERAL FUND			
Revenue			
Unreserved Balance June 30, 2014	$835,153,067	$0	$835,153,067
Additions to balance	(219,394,360)	(425,117,598)	(644,511,957)
Official revenue estimate	17,186,022,255	18,309,047,069	35,495,069,324
Revenue Stabilization Fund	470,000,000	235,000,000	705,000,000
Transfers	644,994,561	571,980,613	1,216,975,174
Total general fund resources available for appropriation	$18,916,775,523	$18,690,910,084	$37,607,685,607
Appropriations			
Legislative	$76,040,249	$74,837,052	$150,877,301
Judicial	452,612,774	455,968,723	908,581,497
Executive	17,710,185,367	18,429,561,361	36,139,746,728
Independent Agencies	1,200,133	325,151	1,525,284
Sub-total operating expenses	18,240,038,523	18,960,692,287	37,200,730,810
Capital Outlay	200,000	141,418,476	141,618,476
Total appropriations	$18,240,238,523	$19,102,110,763	$37,342,349,286
NONGENERAL FUNDS			
Revenue			
Balance June 30, 2014	$4,945,503,350	$0	$4,945,503,350
Official revenue estimate	25,734,466,497	26,467,368,074	52,201,834,571
Lottery Proceeds Fund	557,555,450	538,955,547	1,096,510,997
Internal Service Fund	1,771,892,976	1,908,509,481	3,680,402,457
Bond proceeds	792,874,586	248,608,000	1,041,482,586
Total nongeneral fund revenue available for appropriation	$33,802,292,859	$29,163,441,102	$62,965,733,961
Appropriations			
Legislative	$3,771,599	$3,357,825	$7,129,424
Judicial	34,167,869	34,326,827	68,494,696
Executive Department	28,218,207,791	30,030,709,734	58,248,917,525
Independent Agencies	483,381,406	517,734,510	1,001,115,916
Sub-total operating expenses	28,739,528,665	30,586,128,896	59,325,657,561
Capital Outlay	941,084,442	388,830,960	1,329,915,402
Total appropriations	$29,680,613,107	$30,974,959,856	$60,655,572,963

Source: Department of Planning and Budget.

2016 Appropriation Act

On December 17, 2016, Governor McAuliffe presented the Budget Bill for the 2016-2018 biennium that begins July 1, 2016 (House Bill/Senate Bill 30) (the "2016 Budget Bill"). The introduced 2016 Budget Bill focused on building the New Virginia Economy and was developed with the following core objectives:

- Investing in the Future
- Creating 21st Century Jobs
- Creating healthier communities
- Creating stronger, safer communities
- Maintaining prudent and sound government

The introduced 2016 Budget Bill appropriated over $109 billion from all fund sources for total state government operations, and would have left an unappropriated general fund balance on June 30, 2018 of $17.6 million.

The Governor's introduced 2016 budget bill was considered by the 2016 Session of the General Assembly which convened on January 14, 2016. The General Assembly adjourned on March 11, 2016 offering their recommendations for additional amendments to the bill. At the April 20, 2016 reconvened session, the Governor offered executive amendments that were considered and where they agreed, folded into the budget for the 2016-18 biennium. On May 20th, the Governor signed the 2016 Appropriation Act with one line-item veto. The 2016 Appropriation Act, also known as Chapter 780, 2016 Acts of Assembly, will be effective as of July 1, 2016.

Chapter 780 provides an additional $605.6 million to the Revenue Stabilization Fund in fiscal year 2017. With this deposit, the Revenue Stabilization Fund will reach an expected balance of over $845 million. The top ten general fund spending changes included in Chapter 780 are as follows:

• Medicaid utilization and inflation increase	$794.7 million
• Revenue Stabilization Fund deposit	$605.6 million
• Update costs of the K12 Standards of Quality (SOQ)	$398.1 million
• Salary increases for state supported public employees	$346.3 million
• Lottery Proceeds Fund Per Pupil Allocations	$163.4 million
• Increased funding for state employee health insurance program	$137.3 million
• Provide debt service for projects and equipment	$107.8 million
• Deposit funding to the Water Quality Improvement Fund and Virginia Natural Resources Commitment Fund (from the Fiscal Year 2015 surplus)	$61.7 million
• Fund teacher retirement, retiree health care credit, and group life contributions at the full rates	$55.1 million

Chapter 780 assumes a general fund balance at the end of the 2016-18 biennium of $21.2 million.

The table on the following page summarizes Chapter 780 (2016 Appropriation Act).

2016 Appropriation Act
(Chapter 780, 2016 Acts of Assembly)

	FY 2017	FY 2018	Total
GENERAL FUND			
Revenue			
Unrestricted Balance June 30, 2016	$265,336,321	$0	$265,336,321
Additions to balance	680,905,000	(500,000)	680,405,000
Official revenue estimate	18,902,391,274	19,633,121,954	38,535,513,228
Transfers	577,749,718	596,782,957	1,174,532,675
Total general fund resources available for appropriation	$20,426,382,313	$20,229,404,911	$40,655,787,224
Appropriations			
Legislative	$80,253,077	$80,279,687	$160,532,764
Judicial	484,511,320	485,295,817	969,807,137
Executive	19,772,741,498	19,719,208,059	39,491,949,557
Independent Agencies	1,233,841	251,292	1,485,133
Sub-total operating expenses	$20,338,739,736	$20,285,034,855	$40,623,774,591
Capital Outlay	10,800,000	0	10,800,000
Total appropriations	$20,349,539,736	$20,285,034,855	$40,634,574,591
NONGENERAL FUNDS			
Revenue			
Balance June 30, 2016	$4,728,561,193	0	$4,728,561,193
Official revenue estimate	27,087,129,137	27,422,707,612	54,509,836,749
Lottery Proceeds Fund	561,527,170	541,231,250	1,102,758,420
Internal Service Fund	2,027,184,365	2,127,218,076	4,154,402,441
Bond proceeds	342,336,000	99,900,000	442,236,000
Total nongeneral fund revenue available for appropriation	$34,746,737,865	$30,191,056,938	$64,937,794,803
Appropriations			
Legislative	$3,189,351	$3,189,532	$6,378,883
Judicial	33,152,496	33,155,404	66,307,900
Executive Department	30,905,244,006	30,868,523,176	61,773,767,182
Independent Agencies	568,743,656	599,250,578	1,167,994,234
Sub-total operating expenses	31,510,329,509	31,504,118,690	63,014,448,199
Capital Outlay	495,730,700	151,146,000	646,876,700
Total appropriations	$32,006,060,209	$31,655,264,690	$63,661,324,899

Source: Department of Planning and Budget.

INDEBTEDNESS OF THE COMMONWEALTH

Section 9 of Article X of the Constitution of Virginia provides for the issuance of debt by or on behalf of the Commonwealth. Sections 9(a), (b) and (c) provide for the issuance of debt to which the Commonwealth's full faith and credit is pledged and Section 9(d) provides for the issuance of debt not secured by the full faith and credit of the Commonwealth, but which may be supported by and paid from Commonwealth tax collections subject to appropriations by the General Assembly. The Commonwealth may also enter into leases and contracts that are classified on its financial statements as long-term indebtedness. Certain authorities and institutions of the Commonwealth may also issue debt. This section discusses the provisions for and limitations on the issuance of general obligation debt and other types of debt of the Commonwealth and its authorities and institutions.

Section 9(a) Debt

Section 9(a) of Article X provides that the General Assembly may contract general obligation debt: (1) to meet certain types of emergencies, (2) to meet casual deficits in the revenue or in anticipation of the collection of revenues of the Commonwealth and (3) to redeem a previous debt obligation of the Commonwealth. Total indebtedness issued pursuant to Section 9(a) (2) shall not exceed 30 percent of an amount equal to 1.15 times the annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the preceding fiscal year.

Section 9(b) Debt

Section 9(b) of Article X provides that the General Assembly may authorize the creation of general obligation debt for capital projects. Such debt is required to be authorized by an affirmative vote of a majority of the members elected to each house of the General Assembly and approved in a statewide referendum. The outstanding amount of such debt is limited in the aggregate to an amount equal to 1.15 times the average annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the three immediately preceding fiscal years ("9(b) Debt Limit"). Thus, the amount of such debt that can be issued is the 9(b) Debt Limit less the total amount of such debt outstanding ("Debt Margin"). There is an additional 9(b) debt restriction on the amount of such debt that the General Assembly may authorize in any year. The additional authorization restriction is limited to 25% of the 9(b) Debt Limit less any 9(b) debt authorized in the current and prior three fiscal years.

The phrase "taxes on income and retail sales" is not defined in the Constitution or by statute. The record made in the process of adopting the Constitution, however, suggests an intention to include only income taxes payable by individuals, fiduciaries and corporations and the state sales and use tax.

Section 9(c) Debt

Section 9(c) of Article X provides that the General Assembly may authorize the creation of general obligation debt for revenue producing capital projects for executive branch agencies and institutions of higher learning. Such debt is required to be authorized by an affirmative vote of two-thirds of the members elected to each house of the General Assembly and approved by the Governor. The Governor must certify before the enactment of the bond legislation and again before the issuance of the bonds that the net revenues pledged are expected to be sufficient to pay principal and interest on the bonds issued to finance the projects.

The outstanding amount of Section 9(c) debt is limited in the aggregate to an amount equal to 1.15 times the average annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the three immediately preceding fiscal years ("9(c) Debt Limit"). While the debt limits under Sections 9(b) and 9(c) are each calculated as the same percentage of the same average tax revenues, these debt limits are separately computed and apply separately to each type of debt.

Effect of Refunding Debt

In general, when the Commonwealth issues bonds to refund outstanding bonds issued pursuant to Section 9(b) or 9(c) of Article X of the Constitution, the refunded bonds are considered paid for purposes of the constitutional limitations upon debt incurrence and issuance and the refunding bonds are counted in the computations of such limitations. Section 9(a) (3) provides that in the case of the refunding of debt incurred in accordance with Section 9(c) of Article X, the debt evidenced by the refunding bonds will be counted against the 9(c) Debt Limit unless the Governor does not provide the net revenue sufficiency certification, in which case the debt evidenced by the refunding bonds will be counted against the 9(b) Debt Limit.

General Obligation Debt Limit and Debt Margin

Using individual and fiduciary income, corporate income and the state sales and use tax revenues, as of June 30, 2016, the debt limits pursuant to Article X, Section 9 of the Constitution of Virginia are as follows:

COMPUTATION OF LEGAL DEBT LIMIT AND DEBT MARGIN *

(in thousands)

	Fiscal Year Ended June 30,		
Taxes	**2014**	**2015**	**2016***
Individual and Fiduciary Income [1]	$11,253,348	$12,328,675	$12,555,624
Corporation Income [2]	757,491	831,907	764,948
State Sales and Use [3]	3,399,223	3,587,849	3,651,400
Total	$15,410,062	$16,748,431	$16,971,972
Average tax revenues for the three fiscal years			$16,376,822
Section 9(a)(2) General Obligation Debt Issuance Limit and Margin [4]:			
Debt Issuance Limit:			
30% of 1.15 times annual tax revenues for fiscal year 2016*			$5,855,330
Less 9(a)(2) Bonds Outstanding:			0
Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds			$5,855,330
Section 9(b) General Obligation Debt Issuance Limit and Margin:			
Debt Issuance Limit:			
1.15 times the average tax revenues for three fiscal years as calculated above			$18,833,345
Less 9(b) Bonds Outstanding at June 30, 2016*:			
Public Facilities Bonds [6]		$571,915	
Transportation Facilities Refunding Bonds [5][6]		0	
Bond Anticipation Notes		0	
Total 9(b) Bonds Outstanding at June 30, 2016*			571,915
Debt Issuance Margin for Section 9(b) General Obligation Bonds			$18,261,430
Debt Authorization Limit:			
25% of 1.15 times average tax revenues for three fiscal years as calculated above			$4,708,336
Less 9(b) debt authorized during the three prior fiscal years			0
Maximum additional 9(b) debt that may be authorized by the General Assembly (subject to referendum):			4,708,336
Section 9(c) General Obligation Debt Issuance Limit and Margin:			
Debt Issuance Limit:			
1.15 times the average tax revenues for three fiscal years as calculated above			$18,833,345
Less 9(c) Bonds Outstanding at June 30, 2016*:			
Parking Facilities [6]		$15,155	
Transportation Facilities [6]		14,562	
Higher Educational Institutions [6]		877,118	
Bond Anticipation Notes		0	
Total 9(c) Bonds Outstanding at June 30, 2016*			906,835
Debt Issuance Margin for Section 9(c) General Obligation Bonds			$17,926,510

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the Code of Virginia.

[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the Code of Virginia.

[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the Code of Virginia, less taxes identified in Sections 58.1-605 and 58.1-638.

[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.

[5] These bonds refunded certain Section 9(c) debt and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.

[6] Net of unamortized discounts and premiums.

** Preliminary & Unaudited.*

Sources: Department of Accounts and Department of the Treasury.

Tax-Supported Debt – General Obligation

Tax-supported debt of the Commonwealth includes both general obligation debt and debt of agencies, institutions, boards and authorities for which debt service is expected to be made in whole or in part from appropriations of tax revenues.

Outstanding Section 9(b) debt as of June 30, 2016 includes the unamortized portion of $571.9million of general obligation bonds. In November 1992, $613.0 million in general obligation bonds were authorized and approved by the voters. In November 2002, $1.0 billion in general obligation bonds were authorized and approved by the voters. Various series of refunding bonds were issued to refund certain series of bonds. Outstanding Section 9(c) debt as of June 30, 2016 includes various series of Higher Educational Institutions Bonds (including refunding bonds) issued from 2005 to 2015, one series of Transportation Facilities Bonds issued in 2006, and two series of Parking Facilities Bonds (including refunding bonds) issued between 2009 and 2012. Outstanding general obligation debt does not include 9(b) and 9(c) advance refunded bonds for which funds have been deposited in irrevocable escrow accounts in amounts sufficient to meet all required future debt service.

Other Tax-Supported Debt

Section 9(d) of Article X provides that the restrictions of Section 9 are not applicable to any obligation incurred by the Commonwealth or any of its institutions, agencies or authorities if the full faith and credit of the Commonwealth is not pledged or committed to the payment of such obligation.

There are currently outstanding various types of 9(d) revenue bonds issued by authorities, political subdivisions and agencies to which the Commonwealth's full faith and credit is not pledged. Certain of these bonds, however, are paid in part or in whole from revenues received as appropriations by the General Assembly from general tax revenues, while others are paid solely from revenues derived from enterprises related to the operation of the financed capital projects or other non-general fund revenues.

The debt repayments of the Virginia Public Building Authority, the Virginia College Building Authority 21st Century College and Equipment Programs, the Virginia Biotechnology Research Partnership Authority and several other long-term capital leases or notes have been supported all or in large part by General Fund appropriations.

The Commonwealth Transportation Board ("CTB") has issued various series of bonds authorized under the State Revenue Bond Act. These bonds are secured by and payable from funds appropriated by the General Assembly from the Transportation Trust Fund. The Transportation Trust Fund was established by the General Assembly in 1986 as a special non-reverting fund administered and allocated by the Transportation Board for the purpose of increased funding for construction, capital and other needs of state highways, airports, mass transportation and ports. As of June 30, 2015, $2.6 billion in CTB Tax-Supported bonds were outstanding. During 2007, the CTB was authorized by the General Assembly to issue up to $3.0 billion in Capital Projects Revenue Bonds, with an additional $180 million authorized in 2008. As of June 30, 2015, $2.0 billion had been issued under this authorization.

The Virginia Port Authority ("VPA") issues bonds secured by its share of the Transportation Trust Fund. As of June 30, 2015, $288.4 million of Commonwealth Port Fund Revenue Bonds were outstanding. In 2008, the Authority was authorized to issue an additional $155 million in Commonwealth Port Fund Revenue Bonds and $30 million of that amount was rescinded during 2011.

Leases and Contracts

Capital Leases. The Commonwealth is involved in numerous agreements to lease buildings, energy efficiency projects and equipment. For a detailed description, see "Notes to the Financial Statements" included in the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015. These lease agreements are for various terms, and each lease contains a nonappropriation clause indicating that continuation of the lease is subject to funding by the General Assembly. The principal balance of all tax-supported capital leases outstanding was $135.4 million as of June 30, 2015.

Installment Purchases. The Commonwealth also finances the acquisition of certain personal property and equipment through installment purchase agreements. The length of the agreements and the interest rates charged vary. In most cases, the agreements are collateralized by the personal property and equipment acquired. Installment purchase agreements contain nonappropriation clauses indicating that continuation of the installment purchase is subject to funding by the General Assembly. The principal balance of tax-supported installment purchase obligations outstanding was $177.2 million as of June 30, 2015.

Outstanding Tax-Supported Debt

The following table summarizes for the past five fiscal years the outstanding indebtedness of the Commonwealth, its agencies, institutions and authorities for which appropriated tax revenues are required to pay debt service. In certain instances, debt service may be paid with or payable from other non-tax sources (e.g., toll revenues, port revenues and user fees), but the underlying security remains the appropriation of tax revenues by the Commonwealth.

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OUTSTANDING TAX-SUPPORTED DEBT
(in thousands)

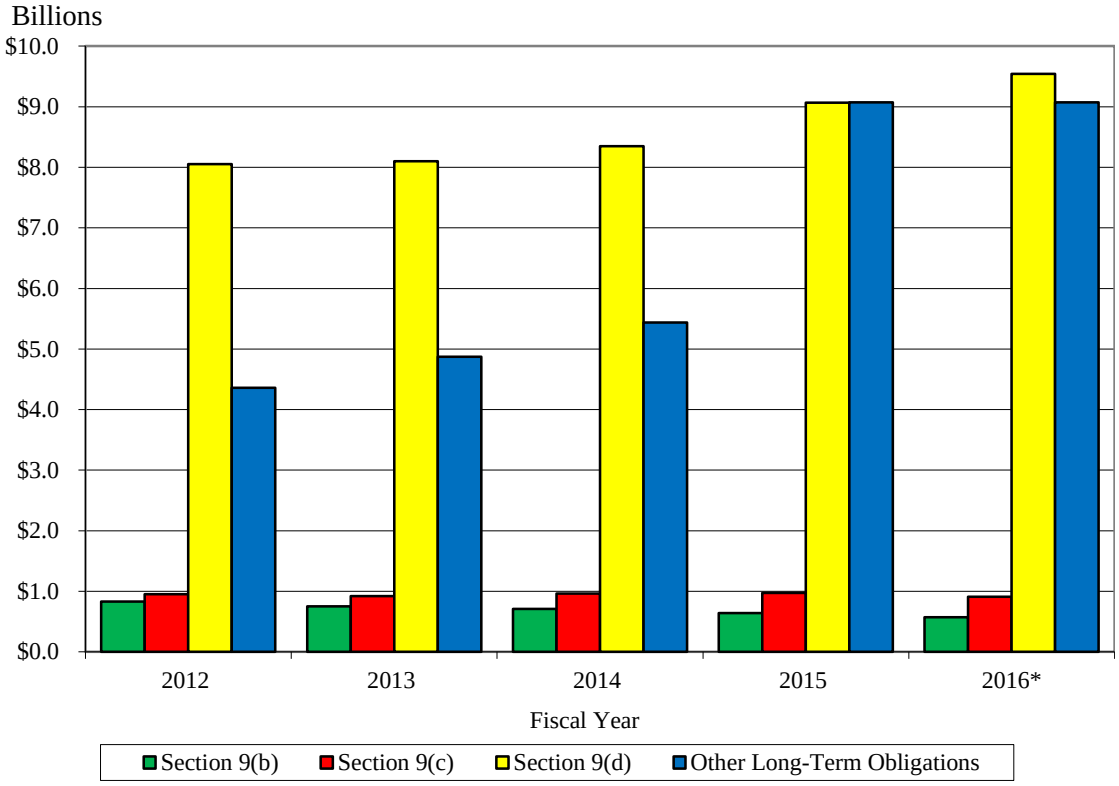
	Fiscal Year Ended June 30,					
	2012	**2013**	**2014**	**2015**	**2016***	
General Obligation Debt:						
Section 9(a)	-	-	-	-	-	
Section 9(b) [1]	$831,148	$752,493	$706,192	$642,181	$571,915	
Section 9(c)						
Higher Educational Institutions [1]	$906,474	$877,858	$925,086	$936,857	$877,118	
Transportation Facilities [1]	$24,210	$21,961	$19,632	$17,154	$14,562	
Parking Facilities [1]	$18,383	$17,538	$17,045	$16,036	$15,155	
Sub-Total 9(c)	$949,067	$917,357	$961,763	$970,047	$906,835	
Total General Obligation Debt	$1,780,215	$1,669,850	$1,667,955	$1,612,228	$1,478,750	
Section 9(d) Debt:						
Transportation [1]	2,655,481	2,495,312	2,373,382	2,552,123	2,722,258	
Virginia Public Building Authority [1]	2,566,789	2,534,347	2,374,835	2,623,447	2,441,413	
Virginia Port Authority [1]	237,321	228,619	222,044	288,446	254,350	
Virginia College Building Authority 21st Century/Equipment [1]	2,470,589	2,725,259	3,286,119	3,520,214	4,049,060	
Innovative Technology Authority	2,375	1,220	-	-	-	
Virginia Biotechnology Research Partnership Authority [1]	37,162	35,284	34,355	30,619	28,530	
Virginia Aviation Board	1,050	764	529	307	114	
Fairfax County Economic Development Authority [1]	81,747	77,472	57,621	51,249	44,712	
Total Section 9(d) Debt	8,052,514	8,098,277	8,348,885	9,066,405	9,540,437	
Other Long-Term Obligations:						
Transportation Notes Payable	8,000	8,000	-	-	-	[3]
Capital Leases	168,566	157,466	143,105	135,404	135,404	[3]
Installment Purchase Obligations	215,120	192,682	190,462	177,185	177,185	[3]
Compensated Absences	569,021	582,774	601,757	599,726	599,726	[3]
Regional Jail Financing Program	2,748	837	-	-	-	[3]
Pension Liability	2,446,240	2,799,523	3,181,441	6,629,296	6,629,296	[3]
OPEB Liability	877,630	1,076,157	1,270,479	1,484,680	1,484,680	[3]
Other Liabilities and Notes Payable	73,457	53,419	49,818	45,109	45,109	[3]
Total Other Long-Term Obligations	4,360,782	4,870,858	5,437,062	9,071,400	9,071,400	
Total Tax-Supported Debt [2]	$14,193,511	$14,638,985	$15,453,902	$19,750,033	$20,090,587	

[1] Net of unamortized discounts/premiums and/or deferral on debt defeasance through June 30, 2013. In accordance with GASB 65, balances as of June 30, 2014, 2015 and 2016 are net of unamortized discounts/premiums.
[2] Certain adjustment amounts for fiscal year 2015 are not yet available, so amounts are not net of unamortized discounts/premiums.
[3] Represents fiscal year 2015 ending balances. Amounts for fiscal year 2016 are not yet available.

**Preliminary and Unaudited.*

Source: Department of Treasury, Department of Accounts.

OUTSTANDING TAX-SUPPORTED DEBT
As of June 30, 2012 - 2016*



**Preliminary and Unaudited.*

Outstanding Tax-Supported Debt Service

The following table summarizes annual debt service on outstanding tax-supported debt as of June 30, 2015. The table does not include debt service requirements for capital lease and installment purchase obligations payable from the General Fund of the Commonwealth.

ANNUAL DEBT SERVICE REQUIREMENTS
Tax-Supported Debt Outstanding at June 30, 2016*
($ in thousands)

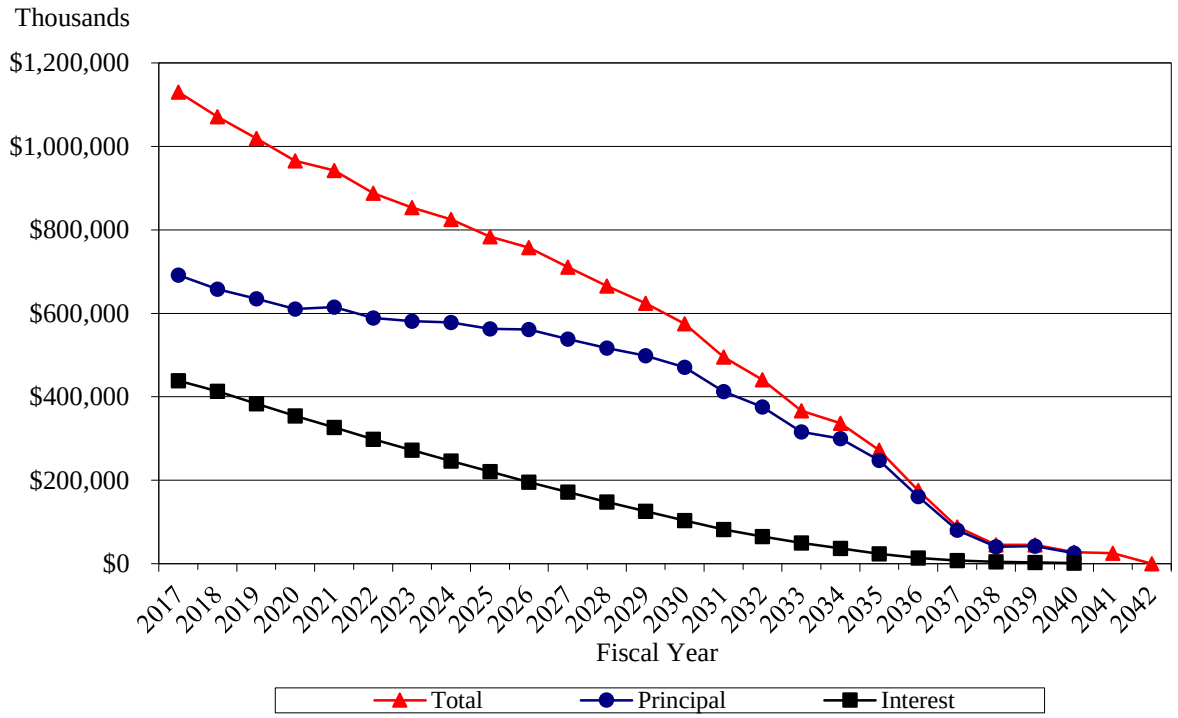
Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	108,735	59,583	168,318	582,934	379,153	962,087	691,669	438,736	1,130,406
2018	101,990	54,467	156,457	555,700	358,808	914,508	657,690	413,276	1,070,966
2019	101,445	49,855	151,300	533,620	334,014	867,634	635,065	383,869	1,018,935
2020	101,385	45,200	146,585	509,343	309,413	818,756	610,728	354,613	965,341
2021	103,520	40,590	144,110	511,796	286,203	797,999	615,316	326,793	942,109
2022	98,740	35,804	134,544	490,570	262,937	753,507	589,310	298,741	888,051
2023	99,145	31,295	130,440	481,765	241,116	722,882	580,910	272,411	853,321
2024	98,770	26,819	125,589	479,446	219,596	699,041	578,216	246,415	824,630
2025	90,545	22,366	112,911	472,224	198,267	670,491	562,769	220,633	783,402
2026	85,160	18,460	103,620	476,404	177,505	653,910	561,564	195,965	757,529
2027	76,825	14,777	91,602	461,621	157,476	619,097	538,446	172,253	710,699
2028	61,410	11,316	72,726	455,425	137,236	592,661	516,835	148,553	665,388
2029	47,000	8,569	55,569	451,335	117,275	568,610	498,335	125,844	624,179
2030	37,290	6,567	43,857	433,940	97,290	531,230	471,230	103,857	575,087
2031	32,890	5,029	37,919	379,845	77,524	457,369	412,735	82,552	495,287
2032	22,855	3,699	26,554	352,765	61,499	414,264	375,620	65,198	440,818
2033	22,440	2,794	25,234	293,915	47,266	341,181	316,355	50,060	366,415
2034	20,080	1,896	21,976	280,250	34,874	315,124	300,330	36,770	337,100
2035	12,805	1,061	13,866	235,310	23,100	258,410	248,115	24,161	272,276
2036	5,210	545	5,755	156,200	13,546	169,746	161,410	14,091	175,501
2037	1,895	328	2,223	78,670	7,710	86,380	80,565	8,039	88,604
2038	1,675	244	1,919	39,195	4,662	43,857	40,870	4,906	45,776
2039	1,730	165	1,895	40,685	3,160	43,845	42,415	3,325	45,740
2040	1,785	84	1,869	24,015	1598.35	25,613	25,800	1,682	27,482
2041	-	-	-	24,900	704.05	25,604	24,900	704	25,604
2042	-	-	-	-	-	-	-	-	-
Subtotal	1,335,325	441,514	1,776,839	8,801,875	3,551,932	12,353,807	10,137,200	3,993,446	14,130,646
Add Unamortized Premium & Accretion On CAB's	-	-	-	25,634	-	25,634	25,634	-	25,634
Add Unamortized Premium	143,425	-	143,425	719,021	-	719,021	862,446	-	862,446
Less Unamortized Discount	-	-	-	(91)	-	(91)	(91)	-	(91)
TOTAL	$1,478,750	$441,514	$1,920,264	$9,546,439	$3,551,932	$13,098,372	$11,025,189	$3,993,446	$15,018,635

[1] Net of unamortized discounts/premiums and/or deferral on debt defeasance through June 30, 2013. In accordance with GASB 65 balances as of June 30, 2014 and 2015 are net of unamortized discounts/premiums.
[2] Numbers may not add due to rounding.

** Preliminary and Unaudited.*

Source: Department of Treasury.

ANNUAL DEBT SERVICE REQUIREMENTS
TAX-SUPPORTED DEBT OUTSTANDING AT JUNE 30, 2016*
(in thousands)



**Preliminary and Unaudited.*

RATIOS OF OUTSTANDING TAX-SUPPORTED DEBT TO POPULATION AND PERSONAL INCOME *

Fiscal Year	Population [1]	Personal Income [2][3] (000's)	Outstanding Debt (000's)	Tax-Supported Debt/Capita	Debt/Income
2011	8,096,604	$373,311,727	$12,161,337	1,502.03	3.3%
2012	8,186,628	$396,005,223	$14,193,511	1,733.74	3.6%
2013	8,267,875	$400,660,395	$14,638,985	1,770.59	3.7%
2014	8,328,098	$417,276,976	$15,453,902	1,855.63	3.7%
2015	8,382,993	$436,349,531	$19,750,033	2,355.96	4.5%

Source: [1] 2015 data, U.S. Census Bureau and Bureau of Economic Analysis.
[2] U.S. Department of Commerce, Bureau of Economic Analysis.
[3] 2013 and 2014 personal income and population data are revised estimates as of September 2016.
** 2016 population and personal income data is not yet available.*

Authorized and Unissued Tax-Supported Debt

As of June 30, 2016, the following tax-supported debt had been authorized by the General Assembly and remained unissued:

(in thousands)

Section 9(b) Debt:		
Higher Educational Institutions Bonds	$	-
Park and Recreational Facilities Bonds		-
Subtotal 9(b) Debt:	$	-
Section 9(c) Debt:		
Higher Educational Institutions Bonds		708,548
Parking Facility Bonds		226
Subtotal 9(c) Debt:	$	708,774
Section 9(d) Debt:		
Transportation Capital Projects Revenue Bonds	$	887,335
Northern Virginia Transportation District Program	$	38,816
U.S. Route 58 Corridor Development Program	$	595,700
Virginia Public Building Authority -- Projects		1,693,341
Virginia Public Building Authority -- Jails		38,816
Virginia College Building Authority -- 21st Century Projects		1,919,501
Virginia College Building Authority -- 21st Century Equipment		168,470
Virginia Port Authority		0
		0
Subtotal 9(d) Debt:	$	5,327,864
Total	$	6,036,638

**Preliminary and Unaudited.*

Source: Department of the Treasury; Department of Accounts.

Moral Obligation Debt

The Virginia Housing Development Authority, the Virginia Resources Authority and the Virginia Public School Authority are authorized to issue bonds secured in part by a moral obligation pledge of the Commonwealth. All three are designed to be self-supporting from their individual loan programs. The Commonwealth may fund deficiencies that may occur in debt service reserves for moral obligation debt. By the terms of the applicable statutes, the Governor is obligated to include in his annual budget submitted to the General Assembly the amount necessary to restore any such reported deficiency, but the General Assembly is not legally required to make any appropriation for such purpose. Neither the Virginia Housing Development Authority nor the Virginia Public School Authority have bonds outstanding that are secured by the moral obligation pledge. To date, the Virginia Resources Authority has not reported to the Commonwealth that any such reserve deficiencies exist. The table below summarizes the Commonwealth's outstanding moral obligation indebtedness for the past five fiscal years.

OUTSTANDING MORAL OBLIGATION DEBT
(in thousands)

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016*
Virginia Resources Authority [1]	$801,384	$836,656	$831,165	$877,875	$907,209
Total	$801,384	$836,656	$831,165	$877,875	$907,209

[1] Net of unamortized discounts and premiums costs.
** Preliminary and Unaudited.*

Source: Department of the Treasury, Department of Accounts.

Other Debt

There are several authorities and institutions of the Commonwealth that issue debt for which debt service is not paid through appropriations of state tax revenues and for which there is no moral obligation pledge to consider funding debt service or reserve fund deficiencies. A portion of the debt shown is additionally secured by a biennial contingent appropriation in the event available funds are less than the amount required to pay debt service. The following table summarizes for the past five fiscal years outstanding indebtedness of authorities and institutions whose debt falls into these categories.

OUTSTANDING OTHER DEBT*
(in thousands)

	Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Institutions of Higher Education [1]	$1,450,714	$1,541,802	$1,538,395	$1,826,602	$2,038,579
Virginia College Building Authority Public Higher Education Financing Program	1,633,910	1,715,515	1,773,190	1,759,970	1,729,375
Virginia College Building Authority Private College Program	634,395	639,597	675,510	660,169	701,572
Virginia Housing Development Authority [1]	6,438,200	5,945,174	5,742,689	4,931,982	4,498,847
Virginia Public School Authority [1]	3,215,448	3,378,084	3,483,366	3,523,633	3,551,741
Virginia Port Authority	284,558	281,978	276,816	272,831	256,656
Commonwealth Transportation Board Federal Highway Reimbursement Anticipation Notes [1]	274,650	182,450	89,836	60,905	30,624
Grant Anticipation Notes (GARVEES) [1]	--	298,728	473,733	746,812	705,574
Hampton Roads Sanitation District	560,996	639,286	790,503	766,353	748,397
Total	$14,492,871	$14,622,614	$14,844,038	$14,549,257	$14,261,365

[1] Net of unamortized discounts and premium costs.
** 2016 Data not yet available.*

Source: Department of the Treasury.

Commonwealth Debt Management

Debt Capacity Advisory Committee

The Debt Capacity Advisory Committee (the "Committee") is charged by statute with annually estimating the amount of tax-supported debt which may prudently be authorized for the next biennium, consistent with the financial goals, capital needs and policies of the Commonwealth. Such estimate is provided to the Governor and General Assembly. The Committee is also required to review annually the amount and condition of bonds, notes and other security obligations of the Commonwealth's agencies, institutions, boards and authorities which are either secured by a moral obligation pledge to replenish reserve fund deficiencies or for which the Commonwealth has a contingent or limited liability. The Committee provides its recommendations on the prudent use of such obligations to the Governor and the General Assembly.

The Committee also reviews the amounts and condition of bonds, notes and other security obligations of the Commonwealth's agencies, institutions, boards and authorities which are neither tax-supported debt nor obligations secured by a moral obligation pledge to replenish reserve fund deficiencies. The Committee may recommend limits, when appropriate, on these other obligations. The Committee's latest report can be found at http://www.trs.virginia.gov/debt/dcac.aspx.

Capital Outlay Plan

The Department of Planning and Budget has prepared a Six-Year Capital Outlay Plan (the "Plan") for the Commonwealth. The Plan lists proposed capital projects, and it recommends how the proposed projects should be financed. More specifically, the Plan distinguishes between immediate demands and longer-term needs, assesses the state's ability to meet its highest priority needs, and outlines an approach for addressing priorities in terms of costs, benefits and financing mechanisms. The General Assembly has set out requirements for the funding of capital projects at a level not less than two percent of the General Fund revenues for the biennium, and the portion of that amount that may be recommended for bonded indebtedness.

RETIREMENT PLANS

The Commonwealth contributes to four pension plans each of which is administered by the Virginia Retirement System ("System"). The System acts as a common investment and administrative agent for the Commonwealth, local school boards and political subdivisions in Virginia. The plans administered by the System consist of the Virginia Retirement System ("VRS"), the State Police Officers Retirement System ("SPORS"), the Virginia Law Officer's Retirement System ("VaLORS") and the Judicial Retirement System ("JRS"). Membership in the VRS consists of Commonwealth employees, public school teachers and employees of political subdivisions that have voluntarily joined the system. Membership in SPORS consists of Commonwealth state police officers. Membership in VaLORS consists of law enforcement and corrections officers of the Commonwealth other than state police officers, and membership in JRS consists of judges in the Commonwealth's Circuit Courts, General District Courts, Court of Appeals and Supreme Court. Membership in the applicable retirement plans is mandatory for all eligible employees. VRS is the largest of four systems covering 330,159 active Commonwealth employees, school teachers and covered employees of local governments as of June 30, 2016, as compared with 11,512 active members of SPORS, VaLORS, and JRS combined. In addition, the four plans combined had approximately 46,644 inactive vested members who are no longer contributing but have not withdrawn previous contributions and may be eligible for a retirement benefit in the future.

ACTIVE MEMBER DISTRIBUTION OF RETIREMENT PLANS

	Fiscal Year Ended June 30	
	2014	**2015**
State Employees (VRS)……..	78,204	77,651
Teachers (VRS)……..	145,758	146,854
Employees of Political Subdivisions (VRS)...	105,431	105,654
State Police Officers (SPORS)……...	2,000	1,947
Virginia Law Officers (VaLORS)……..	8,779	9,147
Judges (JRS)……...	404	418

Source: Virginia Retirement System.

The System's Board of Trustees administers all four plans pursuant to statute. Each plan provides retirement, disability and death benefits. In addition, most members of all four plans are covered by group term life insurance.

The General Assembly established a new retirement plan (Hybrid Retirement Plan) for all new members hired on or after January 1, 2014 who are not in SPORS, VaLORS or VRS as a hazardous duty employee of a political subdivision. All new members hired on or after July 1, 2010 and before January 1, 2014 are in Plan 2. Vested members on January 1, 2013 with service before July 1, 2010 are in Plan 1. Non-vested members on January 1, 2013 with service before July 1, 2010 are in Plan 2. The different provisions for the retirement plans are set forth in the following table:

Retirement Benefit Plan Provisions
AS ESTABLISHED BY TITLE 51.1 OF THE *CODE OF VIRGINIA* (1950), AS AMENDED

All full-time, salaried permanent (professional) employees of state agencies, public school divisions and employees of participating employers are automatically covered by a pension plan upon employment. Members qualify for retirement when they become vested and meet the age and service requirements for their plan, as shown in the following table.

The System administers three different benefit structures for government employees: Plan 1, Plan 2 and the Hybrid Retirement Plan. Each of these is called a plan in statute and each has different provisions with a specific eligibility and benefit structure. These different benefit structures are set out in the following table:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014, are in this plan, as well as Plan 1 and Plan 2 members who were eligible to opt into the plan during a special election window (see "Eligible Members"). • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees*

Hybrid Opt-In Election VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	• School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014, regardless if vested to VRS Plan 1 or VRS Plan 2. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, judges in Plan 1 or Plan 2 and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. Mandatory member contributions and the employer match on the mandatory and voluntary member contributions are recorded in a 401(a) account, along with the accrued net investment income. The voluntary member contributions and

		accrued net investment income are recorded in a 457(b) account. Members are responsible for investing their accounts using the various investment options that are available.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine eligibility for retirement and to calculate the retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** *Defined Benefit Component:* Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine eligibility for retirement and to calculate the retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. *Defined Contribution Component:* Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contribution Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are

		always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1. *Defined Contribution Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS and JRS Plan 1: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. SPORS, sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. VaLORS: The retirement multiplier for VaLORS employees is 1.70% or	**Service Retirement Multiplier** VRS and JRS Plan 2: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. SPORS, sheriffs and regional jail superintendents: Same as Plan 1. VaLORS: The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** *Defined Benefit Component:* VRS and JRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

2.00%. Members hired before July 1, 2001, have a 1.70% multiplier and are eligible for a hazardous duty supplement. They also had the option to elect the 2.00% multiplier and no supplement. Members hired on or after July 1, 2001, have a 2.00% multiplier and no supplement.	Political subdivision hazardous duty employees: Same as Plan 1.	SPORS, sheriffs and regional jail superintendents: Not applicable. VaLORS: Not applicable. Political subdivision hazardous duty employees: Not applicable. *Defined Contribution Component:* Not applicable.
Normal Retirement Age VRS: Age 65. SPORS, VaLORS, and political subdivision hazardous duty employees: Age 60. JRS: Age 65.	**Normal Retirement Age** VRS: Normal Social Security retirement age. SPORS, VaLORS, and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1.	**Normal Retirement Age** *Defined Benefit Component:* VRS: Same as Plan 2. SPORS, VaLORS, and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 1. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. SPORS, VaLORS, and political subdivision hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service. JRS: Age 65 with at least five years of creditable service or at age 60 with at least 30 years of creditable service. Service earned under JRS is weighted. The weighting factors under Plan 1 are: • 3.5 for JRS members appointed or elected before January 1, 1995. • 2.5 for JRS members appointed or elected on or after January 1, 1995.	**Earliest Unreduced Retirement Eligibility** VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. SPORS, VaLORS, and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1. Service earned under JRS is weighted. The weighting factors under Plan 2 are: • 1.5 for JRS members appointed or elected before age 45. • 2.0 for JRS members appointed or elected between ages 45 and 54. • 2.5 for JRS members appointed or elected at age 55 or older.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. SPORS, VaLORS, and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 2. Service earned under JRS is weighted. The weighting factors under Plan 2 are: • 1.5 for JRS members appointed or elected before age 45. • 2.0 for JRS members appointed or elected between ages 45 and 54. • 2.5 for JRS members appointed or elected at age 55 or older. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or	**Earliest Reduced Retirement Eligibility** VRS: Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* VRS: Age 60 with at least five years (60 months) of creditable service.

age 50 with at least 10 years of creditable service. SPORS, VaLORS, and political subdivision hazardous duty employees: Age 50 with at least five years of creditable service. JRS: Age 55 with at least five years of creditable service.	SPORS, VaLORS, and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1.	SPORS, VaLORS, and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 1. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have fewer than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. *Eligibility:* Same as Plan 1. *Exceptions to COLA Effective Dates:* Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Not applicable. *Eligibility:* Same as Plan 1 and Plan 2.

• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.	**Disability Coverage** For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.	**Disability Coverage** Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. *Defined Contribution Component:* Not applicable.

Following is a summary of additions and deductions of the four retirement plans, including additions and deductions attributable to VRS members who are employees of local school boards and political subdivisions. **The political subdivisions have voluntarily joined the VRS, and the Commonwealth is responsible only for administration of the programs.**

RETIREMENT PLANS
ADDITIONS AND DEDUCTIONS
(in thousands)

	Fiscal Years Ended June 30,						
	2012	**2013**	**2014**	**2015**	**2016***		
Additions:							
Member Contributions	$ 230,967	$ 595,339	$ 725,970	$ 781,755	$ 867,951		**(1)**
Employer Contributions	1,585,817	2,003,248	1,970,998	2,467,860	2,507,106	*	**(2)**
Net Investment Income (net of investment expenses)	1,052,001	910,677	983,847	911,279	906,362		**(3)**
Other	3,892	1,574	460	1,723	1,789		**(4)**
Total Additions	2,872,677	3,510,838	3,681,275	4,162,617	4,283,208		
Deductions:							
Benefits	3,401,775	3,672,541	3,878,071	4,114,239	4,356,978		**(5)**
Refunds	88,923	81,538	103,399	106,115	104,552		**(6)**
Administrative Expenses	26,227	31,866	40,916	41,026	41,587		**(7)**
Other	721	4,743	6,994	2,410	2,339		**(8)**
Total Deductions	3,517,646	3,790,688	4,029,380	4,263,790	4,505,456		
Excess of Additions over Deductions [before net appreciation (depreciation) in fair value of investments]	(644,969)	(279,850)	(348,105)	(101,173)	(222,248)		
Net appreciation (depreciation) in fair value of investments	(414,764)	5,167,659	7,891,213	2,009,958	230,536		**(9)**
Net Position - Restricted for Benefits at the End of the Year	$52,091,355	$56,979,164	$64,522,272	$66,431,057	$66,439,345		

Note: Effective July 1, 2011, state employees, except state elected officials, judges, and optional retirement plan participants, were required to contribute the full 5.00% member contribution that had been previously paid by the employer. Effective July 1, 2012, teachers and political subdivision employers were required to begin requiring members to pay the 5.00% member contribution that was previously paid by the employer.

**Preliminary and Unaudited*

Source: Virginia Retirement System.

Each employer contributes an amount for any period equal to the sum of the normal cost and amortization of the unfunded actuarial accrued liability, if any. The Commonwealth's liability is determined, at a minimum, every two years by the System's Board of Trustees on the basis of studies by the consulting actuary. With respect to teachers, the Commonwealth pays a share of the employer contributions on the compensation of teachers who are employees of local school boards with the Commonwealth's portion determined by a formula that uses the student/teacher ratio, average teachers' salaries and the source of revenue used for salary. Employees contribute 5 percent of their creditable compensation unless the contribution is assumed by the employer as in the case of judges. Effective July 1, 2011, Commonwealth employees (except elected officials), state police officers, and state law enforcement and correctional officers other than state police officers began paying the 5% employee contribution. This contribution is handled as a pre-tax payroll deduction. Effective July 1, 2012, teacher and political subdivision employers were required to begin requiring their members to pay the 5% member contribution that was previously paid by the employer. The phase-in required the shift of a minimum of 1% each year with full implementation of the shift to member-paid for all employers by July 1, 2016.

Employer contributions are calculated under an entry age normal cost method, and the unfunded actuarial accrued liability is amortized as a level percentage of payroll within 30 years or less. The entry age normal cost method is designed to produce level normal costs over the working lifetime of the participating employees and to permit the amortization of any unfunded liability over a period of years. The unfunded liability arises because normal costs based on the current benefit provisions have not been in effect throughout the working lifetime of current employees and because of actuarial losses. Post-retirement benefit adjustments are pre-funded during the employees' working lifetime.

The Commonwealth's contribution rates for the 2015 and 2016 fiscal years were determined in accordance with the actuarial valuation as of June 30, 2013. In calculating the Commonwealth's contribution rates for the 2015 fiscal year, the actuary assumed a 7.00 percent net investment yield compounded annually, a 2.50 percent inflation allowance in the salary scale, a 30-year amortization period for the June 30, 2013 Unfunded Actuarial Accrued Liability (UAAL), an 8-year amortization for deferred contributions as defined under the 2011 Appropriations Act, Item 469(I)(6), and valued the assets using a modified market basis.

The General Assembly, in accordance with Section 51.1-145(K1) of the Code of Virginia, funded the employer retirement contribution rates for teachers and state employees in Fiscal Year 2015 at less than the rate determined by the actuary and certified by the VRS Board of Trustees. The percentage of the certified rate being funded for Fiscal Year 2015 was be 79.69% for teachers, 78.02% for state employees, 83.90% for SPORS, 83.88% for VaLORS, and 89.32% for JRS. As a result, the Fiscal Year 2015 employer retirement contribution rate for teachers was reduced from 18.20% to 14.50% and for state employees from 15.80% to 12.33%. Additionally, the employer retirement contribution rates for SPORS, VaLORS and JRS were reduced from 30.78%, 21.06% and 57.84% to 25.82%, 17.67% and 51.66%, respectively. There were no adjustments to the employer contribution rates for political subdivision employers or to the member contribution rate of 5.00%.

For Fiscal Year 2016, several changes impacted the contribution rates being paid. The teacher plan received an additional contribution of $192.9 million from the Commonwealth's Literary Fund. This transfer reduced the teacher actuarial contribution rate from 18.20% to 17.64% and the contributed rate from 14.50% to 14.06%. The judges plan had an increase in the mandatory retirement age from age 70 to age 73. This reduced the actuarial rate from 57.84% to 55.55%. In addition, the Commonwealth elected to move to funding 90% of the actuarial rate effective August 10, 2015. As a result, the contribution rates paid for state, SPORS, VaLORS and Judges were 12.33%, 25.82%, 17.67%, and 49.62%, respectively for the month of July 2015; 13.28%, 26.83%, 18.34%, and 49.82%, respectively for the month of August 2015; and 14.22%, 27.83%, 19.00%, and 50.02%, respectively for the month of September 2015 and the remainder of Fiscal Year 2016.

The normal contribution and accrued liability cost rates (expressed as percentages of covered compensation) recommended by the actuaries are as follows:

RETIREMENT SYSTEMS CONTRIBUTIONS, ACCRUED LIABILITY AND SUPPLEMENTARY COSTS

(1997-1998 biennium through 2016 fiscal year) (1)

		State Employees	School Teachers	State Police	Virginia Law Officers Officers (2)	Judges
Normal contribution rate:						
1997-1998		2.73	3.51	9.39	-	15.12
1998-1999		3.56	4.54	8.72	-	17.34
1999-2000		4.18	5.09	10.52	4.18	18.74
2000-2001		4.24	5.83	8.92	8.92	27.85
2001-2002		4.00	6.03	7.45	7.91	26.11
2002-2003		4.00	6.03	7.99	8.51	22.27
2003-2004		4.00	6.03	7.99	8.51	22.27
2004-2005		4.00	6.03	7.99	8.51	22.19
2005-2006		4.00	6.03	7.99	8.51	22.19
2006-2007		2.80	4.45	7.47	8.06	24.49
2007-2008		2.80	4.45	8.35	8.06	24.49
2008-2009		2.93	4.71	8.84	8.24	25.13
2009-2010		2.93	4.71	8.84	8.24	25.13
2010-2011		2.67	4.68	8.81	5.81	30.15
2011-2012		2.67	4.68	8.81	5.81	30.15
2012-2013		3.55	5.93	10.49	6.80	33.69
2013-2014		3.55	5.93	10.49	6.80	33.69
2014-2015		4.28	5.77	10.72	7.70	34.31
2015-2016		4.28	5.77	10.72	7.70	34.31
Accrued liability rate:						
1997-1998		2.08	3.77	3.99	-	13.98
1998-1999		2.28	3.95	8.12	-	14.34
1999-2000		1.85	3.95	8.68	1.85	15.51
2000-2001		0.98	1.71	16.08	7.23	17.15
2001-2002		0.24	(1.79)	17.55	17.09	18.89
2002-2003		0.24	(1.79)	17.01	16.49	22.73
2003-2004		0.24	(1.79)	17.01	16.49	22.73
2004-2005		(0.11)	2.07	17.01	16.49	22.81
2005-2006		(0.11)	2.07	17.01	16.49	22.81
2006-2007		4.53	6.73	12.35	9.33	15.59
2007-2008		4.53	6.73	14.34	9.33	15.59
2008-2009		5.09	7.13	15.25	8.54	12.91
2009-2010		5.09	7.13	15.25	8.54	12.91
2010-2011		5.79	8.23	16.75	10.12	16.64
2011-2012		5.79	8.23	16.75	10.12	16.64
2012-2013		9.52	10.84	22.13	12.72	20.42
2013-2014		9.52	10.84	22.13	12.72	20.42
2014-2015		11.52	12.43	20.06	13.36	23.53
2015-2016		11.52	11.87	20.06	13.36	21.24
Total contribution rate:						
1997-1998		4.81	7.28	13.38	-	29.10
1998-1999		5.84	8.49	16.84	-	31.68
1999-2000		6.03	9.04	19.20	6.03	34.25
2000-2001		5.22	7.54	25.00	16.15	45.00
2001-2002	(3)	4.24	4.24	25.00	25.00	45.00
2002-2003	(4)	4.24	4.24	25.00	25.00	45.00
2003-2004	(5)	4.24	4.24	25.00	25.00	45.00
2004-2005	(6)	3.89	8.10	25.00	25.00	45.00

2005-2006	(7)	3.89	8.10	25.00	25.00	45.00	
2006-2007	(8)	7.33	11.18	19.82	17.39	40.08	
2007-2008	(9)	7.33	11.18	22.69	17.39	40.08	
2008-2009	(10)	8.02	11.84	24.09	16.78	38.04	
2009-2010	(11)	8.02	11.84	24.09	16.78	38.04	
2010-2011	(12)	8.46	12.91	25.56	15.93	46.79	
2011-2012	(13)	8.46	12.91	25.56	15.93	46.79	
2012-2013	(14)	13.07	16.77	32.62	19.52	54.11	
2013-2014	(14)	13.07	16.77	32.62	19.52	54.11	
2014-2015	(15)	15.80	18.20	30.78	21.06	57.84	
2015-2016	(16)	15.80	17.64	30.78	21.06	55.55	**

(1) Rates for FY 2000 reflect "carve-out" of a portion of the retirement rate for the Virginia Sickness and Disability Program.

(2) The Virginia Law Officers' Retirement System was established October 1, 1999.

(3) Contributions actually paid in FY 2002 were 2.12%, 3.60%, 12.50%, 8.07% and 22.50% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(4) Contributions actually paid in FY 2003 were 0.00%, 3.77%, 11.05%, 12.00% and 29.00% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(5) Contributions actually paid in FY 2004 were 3.77%, 3.77%, 12.79%, 13.95% and 32.03% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(6) Contributions actually paid in FY 2005 were 3.91%, 6.03%, 16.49%, 16.99% and 30.55% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(7) Contributions actually paid in FY 2006 were 3.91%, 6.62%, 16.49%, 16.99% and 30.55% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(8) Contributions actually paid in FY 2007 were 5.74%, 9.20%, 16.71%, 14.96% and 36.47% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(9) Contributions actually paid in FY 2008 were 6.15%, 10.30%, 20.76%, 15.86% and 38.01% for State, School Teachers, State Police, VaLORS, and Judges, respectively. State Police computed and paid rates reflect an increase of 2.87% resulting from and increase in the multiplier from 1.70% to 1.85%, effective July 1, 2007.

(10) Contributions actually paid in FY 2009 were 6.23%, 8.81%, 20.05%, 14.23% and 34.51% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(11) Contributions actually paid in FY 2010 were 6.26%, 8.81%, 20.05%, 14.23% and 34.51% for State, School Teachers, State Police, VaLORS, and Judges, respectively. In addition, these contributions were suspended for state employee groups for April, May and the first half of June 2010, and for school teachers for the entire fourth quarter of FY 2010.

(12) Contributions actually paid in FY 2011 were 2.13%, 3.93%, 7.76%, 5.12% and 28.81% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(13) Contributions actually paid in FY 2012 are 6.33% for School Teachers and 2.08%, 7.73%, 5.07% and 28.65% for State, State Police, VaLORS, and Judges, respectively for the period July 2011 through March 2012 and 6.58%, 21.16%, 13.09%, and 42.58% for State, State Police, VaLORS, and Judges, respectively for April, May and June 2012.

(14) Contributions actually paid in FY 2013 and FY 2014 were 8.76%, 11.66%, 24.74%, 14.80% and 45.44% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(15) Contributions actually paid in FY 2015 were 12.33%, 14.50%,25.82%, 17.67% and 51.66% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(16) Contributions actually paid in July 2015 were 12.33%, 14.06%, 25.82%,17.67% and 49.62% for State, School Teachers, State Police, VaLORS, and Judges, respectively.
Contributions actually paid in August 2015 were 13.28%, 14.06%, 26.83%,18.34% and 49.82% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

* *Preliminary and Unaudited*

** *Contributions actually paid in September 2015 through June 2016 were 14.22%, 14.06%, 27.83%,19.00% and 50.02%, for State, School Teachers, State Police, VaLORS, and Judges, respectively.*

Effective October 1, 1983, the Commonwealth assumed the 5 percent employee contribution previously paid by its employees who are members of the VRS, SPORS, VaLORS and JRS. The total contribution rate actually being paid by the Commonwealth for Commonwealth employees, state police officers, state law enforcement and correctional officers other than state police officers, and judges through the 2010 fiscal year is, therefore, higher by that amount than what is shown in the summary. Effective July 1, 2011, Commonwealth employees (except elected officials), state police officers, and state law enforcement and correctional officers other than state police officers began paying the 5% employee contribution through payroll deduction.

The latest valuations of the pension plans were performed by Cavanaugh Macdonald Consulting, LLC under the provisions of the new Government Accounting Standards Board (GASB) Statement No. 67. Using June 30, 2014 data, rolled forward to June 30, 2015, the plan fiduciary net position as a percentage of the total pension liability was 72.81% for the VRS state plan, 70.68% for the VRS teacher plan, 86.70% for the aggregate total of the VRS political subdivision plans, 68.89% for SPORS, 62.64% for VaLORS and 72.15% for JRS. The calculations reflect an assumed rate of return on investments of 7.00%. For further discussion of the funding of the pension programs, see " Retirement and Pension Systems" in The Report of the Comptroller for the Fiscal Year Ended June 30, 2015.

For the June 30, 2015 actuarial valuation, the total pension liability was determined based on the actuarial valuation as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement date and rolled forward to the measurement date of June 30, 2014. This was compared to the Plan's Net Fiduciary Position as of June 30, 2014 to determine the Employers' Net Pension Liability at that date.

	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Employers' Net Position Liability/(Asset) (a-b)**	**Plan Fiduciary Net position as a % of the Total Pension Liability (b/a)**	**Covered Employee Payroll (c)**	**Net Pension Liability/(Asset) as a % of the Covered Employee Payroll (a-b)/(c)**
Virginia Retirement System:						
State	$22,521,130	$16,398,575	$ 6,122,555	72.81%	$ 3,878,632	157.85%
Teacher	42,930,422	30,344,072	12,586,350	70.68%	7,434,932	169.29%
Political Subdivision	19,935,054	17,283,021	2,652,033	86.70%	4,513,335	58.76%
Total Virginia Retirement System	85,386,606	64,025,668	21,360,938		15,826,899	
State Police Officers' Retirement System	1,064,450	733,352	331,098	68.89%	110,059	300.84%
Virginia Law Officers' Retirement System	1,902,051	1,191,353	710,698	62.64%	338,562	209.92%
Judicial Retirement System	632,381	456,258	176,123	72.15%	61,092	288.29%
Grand Total	$88,985,488	$66,406,631	$22,578,857		$16,336,612	

Source: Virginia Retirement System.

The total Plan Fiduciary Net Position shown above is the same as the Net Position-Restricted for Benefits at the End of the Year shown in the schedule of Retirement Plans Additions and Deductions, less the Defined Contribution Plan assets of $24,426,000 held for Hybrid Plan members.

REQUIRED SUPPLEMENTAL SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

	VRS State		VRS Teacher		VRS Political Subdivisions	
Change in the Net Pension Liability	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Total pension liability:						
Service cost	$ 375,149	$ 369,120	$ 828,901	$ 831,501	$ 530,945	$ 524,758
Interest	1,482,951	1,436,064	2,834,138	2,722,788	1,309,484	1,243,386
Benefit changes	-	-	-	-	1,135	-
Difference between actual and expected experience	59,923	-	(212,089)	-	(185,419)	-
Assumption changes	-	-	-	-	-	-
Benefit payments	(1,136,102)	(1,081,866)	(1,980,353)	(1,874,636)	(819,201)	(754,706)
Refunds of contributions	(27,724)	(25,036)	(36,058)	(36,103)	(36,898)	(36,876)
Net change in total pension liability	754,197	698,282	1,434,539	1,643,550	800,046	976,562
Total pension liability – beginning	21,766,933	21,068,651	41,495,883	39,852,333	19,135,008	18,158,446
Total pension liability – ending (a)	$ 22,521,130	$ 21,766,933	$ 42,930,422	$ 41,495,883	$ 19,935,054	$ 19,135,008
Plan fiduciary net position:						
Contributions – employer	$ 480,657	$ 343,259	$ 1,267,250	$ 853,634	$ 533,877	$ 539,366
Contributions – member	195,582	198,035	373,525	371,241	227,060	225,555
Net investment income	728,083	2,243,999	1,327,047	4,042,441	761,164	2,272,284
Benefit payments	(1,136,102)	(1,081,866)	(1,980,353)	(1,874,636)	(819,201)	(754,706)
Refunds of contributions	(27,724)	(25,036)	(36,058)	(36,103)	(36,898)	(36,876)
Administrative expense	(10,302)	(12,341)	(18,238)	(22,036)	(10,358)	(12,153)
Other	(154)	123	(284)	217	(162)	120
Net change in plan fiduciary net position	230,040	1,666,173	932,889	3,334,758	655,482	2,233,590
Plan fiduciary net position – beginning	16,168,535	14,502,362	29,411,183	26,076,425	16,627,539	14,393,949
Plan fiduciary net position – ending (b)	$ 16,398,575	$ 16,168,535	$ 30,344,072	$ 29,411,183	$ 17,283,021	$ 16,627,539
Net pension liability – ending (a-b)	$ 6,122,555	$ 5,598,398	$ 12,586,350	$ 12,084,700	$ 2,652,033	$ 2,507,469
Plan fiduciary net position as a percentage of the total pension liability (b/a)	72.81%	74.28%	70.68%	70.88%	86.70%	86.90%
Covered employee payroll (c)	$ 3,878,632	$ 3,861,712	$ 7,434,932	$ 7,313,025	$ 4,513,335	$ 4,434,764
Net pension liability as a percentage of covered employee payroll ((a-b)/c)	157.85%	144.97%	169.29%	165.25%	58.76%	56.54%

In addition to the defined benefit programs described above, the Commonwealth also makes contributions to a defined contribution retirement plan for political appointees. Contributions for this plan are based on 12.3% of each appointee's salary. At June 30, 2015, this plan had 326 accounts and total assets of approximately $12,444,585.

OTHER LONG-TERM LIABILITIES

Employee Benefits Other than Pension Benefits

Employees of the Commonwealth accrue annual leave at a rate of four to nine hours semi-monthly, depending on their length of service. The maximum accumulation is dependent on years of service, but in no case may it exceed 42 days. All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program ("VSDP"). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave State service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at the current earnings rate or $5,000. All employees leaving State service are paid for accrued annual leave up to the maximum calendar year limit at their current earnings rate.

The VSDP was established for all full-time, classified state employees, including state police officers, and other state law enforcement and correctional officers. Part-time, classified state employees who work at least 20 hours a week on a salaried basis and who accrue leave are also covered. After a seven calendar-day waiting period following the first incident of disability, the VSDP provides short-term disability benefits from 60% to 100% of compensation up to a maximum of 125 work days. After a 180 calendar day waiting period, eligible employees receive long-term disability benefits equal to 60% of compensation until they return to work, until age 65 (age 60 for state police officers and other state law enforcement and correctional officers), or until death. Eligibility periods for non-work related disability coverage and certain income replacement levels apply for employees hired on or after July 1, 2009.

In addition to providing pension benefits, the Commonwealth provides life insurance for active and retired employees and a retiree health insurance credit to offset a portion of the cost of health insurance premiums for qualifying state retirees under VRS, SPORS, JRS and VaLORS. The estimated costs of these benefits are funded over the working lives of the employees through employer contributions and investment income.

Self-Insurance

The Commonwealth provides several types of self-insurance for the benefit of state agencies and institutions. The Department of the Treasury, Division of Risk Management, administers self-insurance programs for general (tort) liability, medical malpractice and automobile liability. The Department of Human Resource Management administers the state employee health care self-insurance fund. At June 30, 2015, $769.4 million was reported as the combined estimated claims payable for self-insurance.

Medicaid Payable

The Department of Medical Assistance Services estimates, based on past experience, the total amount of claims that will be paid from the Medicaid program in the future which relate to services provided before year end. At June 30, 2015, the estimated liability related to normal operations totaled $657.0 million. Of this amount, $327.2 million is reflected in the General Fund and $329.8 million in the Federal Trust Special Revenue Fund.

For a more detailed explanation of Other Long-Term Liabilities, see "Notes to the Financial Statements" in The Report of the Comptroller for the Fiscal Year Ended June 30, 2015.

Other Post-Employment Benefits (OPEB) – Financial Statement Reporting

The Commonwealth currently has five postemployment benefit programs other than the retirement plans described above ("OPEB Programs"). They are: Retiree Health Insurance Credit, Group Life Insurance, Virginia Sickness and Disability Plan, Pre-Medicare Retiree Health Insurance Program and Line of Duty Death and Health Insurance Benefit.

The Governmental Accounting Standards Board (GASB) issued accounting and reporting standards for other postemployment benefits. The VRS implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans*

Other Than Pension Plan, in their published financial statements for the fiscal year ended June 30, 2007. The Commonwealth, as an employer, implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2008.

The Commonwealth's OPEB programs promise benefits to individuals who perform services for government today to be paid following the conclusion of their service. Historically, the Commonwealth and most other government employers financed other post-employment benefit programs on a pay-as-you-go basis. The new reporting standards require expenses associated with these programs to be calculated and reported on an actuarial basis even though payment is deferred until after an individuals' service ends. As of June 30, 2015, the Commonwealth's estimated annual required OPEB contribution was $394.6 million and the estimated unfunded actuarial liabilities were $5.3 billion.

LABOR RELATIONS

It is against public policy for Commonwealth or local officials to recognize any labor union as a representative of public employees or to engage in collective bargaining with any labor union. Public employees of the Commonwealth do not have a legal right to strike, and no strike by employees of the Commonwealth has ever taken place. Any such employee who engages in any organized strike or willfully refuses to perform his duties shall, according to state law, be deemed to have terminated his employment. The General Assembly has rejected several recent legislative proposals to authorize public employees to engage in collective bargaining.

LITIGATION

The Commonwealth, its officials and employees are named as defendants in legal proceedings which occur in the normal course of governmental operations, some involving claims for substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth with respect to these lawsuits. However, any ultimate liability resulting from these suits is not expected to have a material adverse effect on the financial condition of the Commonwealth.

TOBACCO SETTLEMENT

The Commonwealth is a party to the national tobacco settlement (the "Settlement") between leading United States tobacco product manufacturers, 45 other states, the District of Columbia and 5 territories. The Settlement provides that tobacco companies pay a total of $206 billion to the participating states by the year 2025; significantly curb their advertising; and disband industry trade groups. The Commonwealth's share of the total amount to be paid to states through 2025 would be approximately $4.1 billion. The exact dollar amount is contingent upon certain adjustments as set forth in the Settlement. Under the Settlement, the tobacco companies will make three types of payments. Tobacco companies made five "initial payments" totaling approximately $13 billion over the six year period ending in January 2003. In addition, the tobacco companies make "annual payments" that began on April 15, 2000. Such payments will be paid annually into perpetuity and will be adjusted annually based on inflation and volume adjustments as determined by future sales of cigarettes. Approximately $8.6 billion of the Settlement was deposited into a strategic contribution fund and allocated based on the states' contribution toward resolving the Settlement. The "strategic contribution payments" will be made in equal installments over a 10-year period beginning in 2008.

The Commonwealth created the Tobacco Indemnification and Community Revitalization Commission and Fund (the "TICR Commission" and "TICR Fund," respectively). Fifty percent of the amounts received by the Commonwealth from the Settlement is allocable to the TICR Commission (the "TICR Commission Allocation"). The TICR Commission distributes moneys in the TICR Fund to (i) provide payments to tobacco farmers as compensation for the elimination or decline in tobacco quotas and (ii) promote economic growth and development in tobacco dependent communities.

In 2002, the General Assembly authorized the securitization of the TICR Commission Allocation and created the Tobacco Settlement Financing Corporation (the "Corporation"). The Corporation was established to carry out the financing, purchasing, owning and managing of the portion of the TICR Commission Allocation that may be sold by the Commonwealth from time to time. On May 16, 2005, the Corporation issued $448,260,000 of its Tobacco Settlement Asset-Backed Bonds, Series 2005 (the "Series 2005 Bonds"). Net proceeds of the sale were deposited to the Tobacco Indemnification and Community Revitalization Endowment established pursuant to Section 3.1-1109.1 of the Code of Virginia to fund economic development projects throughout Southside and Southwest Virginia. On May 3, 2007, the Corporation issued $1,149,273,283 of its Tobacco Settlement Asset-Backed Bonds, Series 2007 (the "Series 2007 Bonds"). A portion of the proceeds of the Series 2007 Bonds were used to defease and refund the outstanding Series 2005 Bonds. The Series 2007 Bonds are backed solely by the TICR

Commission Allocation. Tobacco Bonds issued by the Corporation are not obligations of the Commonwealth or any instrumentality other than the Corporation.

The Commonwealth also created the Virginia Foundation for Healthy Youth, and within it, the Virginia Tobacco Settlement Foundation to coordinate and finance efforts to restrict the use of tobacco products by minors through such means as educational and awareness programs on the health effects of tobacco use on minors and laws restricting the distribution of tobacco products to minors. Ten percent of the annual amount received by the Commonwealth from the Settlement is allocated to the Virginia Tobacco Settlement Fund (the "Foundation Allocation"). Chapter 345 of the 2007 Virginia Acts of Assembly authorizes the securitization of the Foundation Allocation; however no securitization of the Foundation Allocation has occurred. The remaining forty percent of unallocated Settlement payments are deposited to the General Fund.

The allocation and expenditures of the annual amounts received by the Commonwealth from the settlement are subject to appropriation by the General Assembly.

EFFECTS OF FEDERAL SEQUESTRATION ON VIRGINIA

The Federal budget reductions commonly referred to as "Sequestration" are expected to negatively impact Virginia disproportionately compared to other states. The steep reduction in federal military and domestic programs is expected to acutely impact Virginia because of Virginia's robust community of defense contractors and other federal contractors. From 2001 to 2011, economists observed that Virginia's economy grew more dependent on federal government spending, with about $58.9 billion being spent in Virginia in 2011. This was more than any other state and was the equivalent of 13.7 percent of Virginia's total economic output. According to a June 2014 Report of the Joint Legislative Audit and Review Commission (JLARC) entitled *Size and Impact of Federal Spending in Virginia*, cuts in federal spending will have larger adverse impacts in Virginia than other states, in part because the state relies more on military spending. Sequestration will cause many areas of discretionary federal spending such as military procurement to decline or grow more slowly through 2021. Military contracts in Virginia have already declined from $44 to $35 billion or about 20 percent between 2011 and 2013. The JLARC report predicts that federal spending cuts will also adversely affect Virginia state tax revenue because 18 to 30 percent of general fund revenue is estimated to come from federal spending. Virginia is currently experiencing slower job and economic growth than the national average. The reduction in defense spending will be felt primarily in Northern Virginia and the Hampton roads area.

APPENDIX C

COMMONWEALTH OF VIRGINIA DEMOGRAPHIC AND ECONOMIC INFORMATION

APPENDIX C
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INTRODUCTION

The following demographic and economic information is provided by the Commonwealth of Virginia, its agencies, institutions and authorities (the "Commonwealth"). The data were compiled by the Department of the Treasury and were not independently verified; however, the Department of the Treasury has no reason to believe that such material is not true and correct.

DEMOGRAPHIC CHARACTERISTICS

General

The Commonwealth is divided into five distinct geographic regions – The Tidewater region is a coastal plain cut into peninsulas by four large tidal rivers. It includes the Eastern Shore and estuaries of the Chesapeake Bay. The Piedmont Plateau is the largest geographical land of the state, and is characterized by low, rolling hills. The Blue Ridge Mountains, which lie to the west of the Piedmont region, are the main eastern mountain range of the Appalachian Mountains. The Appalachian Ridge and Valley Region stretch from southwest to the northeast along Virginia's western border, and include the Shenandoah Valley. The Appalachian Plateau region lies in the far southwestern portion of Virginia. In Kentucky it is called the Cumberland Plateau. The topography of this region is characterized by rivers, streams, and forests. Approximately one-third of all land in Virginia is used for farming and other agricultural services. This variety of terrain, the location of the Commonwealth on the Atlantic Seaboard at the southern extremity of the northeast population corridor and its close proximity to the nation's capital have had a significant influence on the development of the present economic structure of the Commonwealth.

According to the U.S. Census Bureau, the Commonwealth's 2015 estimated population was 8,382,993 which was 2.6 percent of the United States total. Among the 50 states, it ranked twelfth in population. With 39,594 square miles of land area, its 2014 population density was 211.7 persons per square mile, compared with 90.9 persons per square mile for the United States.

Population Trends

From 2006 to 2015, Virginia's population increased 9.6 percent versus 7.6 percent for the nation. Population trends since 2006 for the Commonwealth and the United States are shown in the following table:

POPULATION TREND

		Virginia		United States	
Year		Population	Increase Over Preceding Year	Population	Increase Over Preceding Year
2006		7,646,996	1.1	298,593,212	1.0
2007		7,719,749	1.0	301,579,895	1.0
2008		7,795,424	1.0	304,374,846	0.9
2009		7,882,590	1.1	307,006,550	0.9
2010		8,001,024	1.5	308,745,538	0.6
2011		8,104,384	1.3	311,587,816	0.9
2012		8,193,422	1.1	313,873,685	0.7
2013		8,270,345	0.9	316,497,531	0.8
2014	*	8,326,289	0.7	318,857,056	0.7
2015	*	8,382,993	0.7	321,418,820	0.8

AGE DISTRIBUTION OF POPULATION

Compared to the nation, a higher proportion of the Commonwealth's population is in the adult/working ages of 20 through 64. A lower proportion of Virginia's population is comprised of persons ages 65 and older and of persons ages 5 through 19. In 2015 the population of the Commonwealth and of the United States was distributed by age as follows:

AGE DISTRIBUTION
2015

Age	Virginia	United States
Under 5 years	6.1 %	6.2 %
5 through 19 years	18.8	19.4
20 through 44 years	34.3	33.4
45 through 64 years	26.6	26.2
65 years and older	14.2	14.9
	100.0 %	100.0 %

Source: U.S. Bureau of the Census Annual Estimates as of June, 2016.

GEOGRAPHIC DISTRIBUTION OF POPULATION

Like the nation as a whole, the Commonwealth has a high percentage of its citizens living in urban areas. Virtually all of the Commonwealth's population growth between 1950 and 1970 occurred in these areas. During the 1970s, however, non-metropolitan areas grew at a slightly faster rate than metropolitan areas. Since 1980, this trend has reversed with the metropolitan areas growing at three times the rate of the rest of the Commonwealth. Of the Commonwealth's population, 87 percent reside in ten metropolitan statistical areas.

The largest metropolitan area is the Northern Virginia portion of the Washington-Arlington-Alexandria MSA. This is the fastest growing metropolitan area in the Commonwealth and had a 2015 population of 6,097,684 (including Washington and Maryland's population of 1,971,861). Northern Virginia has long been characterized by the large number of people employed in both civilian and military work with the federal government. It is also one of the nation's leading high-technology centers for computer software and telecommunications.

Spanning Hampton Roads is the Virginia Beach-Norfolk-Newport News MSA, which has large military installations and major port facilities. It had a 2015 population of 1,724,876 and is an important center of manufacturing and tourism. The Richmond MSA is the third largest metropolitan area with a 2015 population of 1,271,334. The Richmond MSA is a leading center of diversified manufacturing activity including chemicals, tobacco, printing, paper, metals and machinery. Richmond is also the capital of the Commonwealth and its financial center, which includes the Fifth District Federal Reserve Bank. The Roanoke MSA is the manufacturing, trade and transportation center for the western part of the Commonwealth. It had a 2014 population of 314,560. Also in the western part of the Commonwealth are the Lynchburg and Kingsport-Bristol-Bristol MSAs, which are both manufacturing centers, and had 2015 populations of 259,950 and 307,120, respectively. The Kingsport-Bristol-Bristol population includes Tennessee portions of the MSA. Located at the foot of the Blue Ridge Mountains is the Charlottesville MSA, a community with a 2015 population of 229,514 and home of the University of Virginia and significant manufacturing industries.

In 2003, the federal Office of Management & Budget recognized three new Virginia MSAs -- Winchester, Harrisonburg and Blacksburg-Christiansburg-Radford. The Winchester MSA is located at the northernmost tip of Virginia and had a 2015 population of 133,836. This fast-growing community has become increasingly attractive for both business and residential development due to its location bordering the Washington-Arlington-Alexandria MSA. With a population of 6,097,684, this region is the home of the George Mason University, Virginia's largest university and is the Commonwealth's largest public research university. The Harrisonburg MSA, a community with a 2015 population of 131,131, is located in western central Virginia. It is a major retail, service and manufacturing center in the Shenandoah Valley. With a 2015 population of 181,747, the Blacksburg-Christiansburg-Radford MSA is located in the New River Valley in southwestern Virginia. The town of Blacksburg is the home of Virginia Polytechnic Institute & State University, Virginia's second largest university and one of the nation's leading research institutions. Population figures for all ten Commonwealth MSAs are shown below:

METROPOLITAN STATISTICAL AREA
POPULATION AND PER CAPITA INCOME

MSA	2015 Population	Per Capita Income***
Blacksburg-Christiansburg-Radford	181,747	$32,627
Charlottesville	229,514	50,971
Harrisonburg	131,131	33,703
Kingsport-Bristol-Bristol*	307,120	35,912
Lynchburg	259,950	36,237
Richmond	1,271,334	47,083
Roanoke	314,560	41,383
Virginia Beach-Norfolk-Newport News	1,724,876	45,276
Washington-Arlington-Alexandria**	6,097,684	62,975
Winchester	133,836	40,456

	2015 Population	2015 Per Capita Income
Commonwealth of Virginia	8,382,993	$52,136

** Kingsport-Bristol-Bristol MSA includes West Virginia.*

*** Washington-Arlington-Alexandria MSA includes Washington and Maryland.*

****Per Capita Income by MSA for 2015 dated as of March 2016.*
Per Capital Income for the Commonwealth dated as of November 2015.

Distributed throughout Virginia are smaller urban areas, most of which historically have been trade centers for the surrounding areas and continue to be so today. These communities have attracted many of the new manufacturing facilities locating in the Commonwealth in recent years. The remainder of the Commonwealth's population lives in rural areas, including most of the towns and the remaining smaller cities.

ECONOMIC FACTORS

Taxable Retail Sales

Over the past ten years, taxable retail sales in Virginia increased by $10.7 billion, or 12.0 percent. This growth is less than the average rate of inflation for this same period, which was 20.2 percent. The following table illustrates the changes in taxable retail sales for calendar years 2006 through 2015:

Calendar Year	Taxable Retail Sales	% Change
2006	89,478,625,283	15.8
2007	92,043,248,947	2.9
2008	89,773,478,959	-2.5
2009	85,869,132,300	-4.3
2010	86,420,963,843	0.6
2011	89,070,341,371	3.1
2012	93,335,660,137	4.8
2013	94,597,893,918	1.4
2014	96,203,913,416	1.7
2015	100,219,956,703	4.2

Source: Department of Taxation as of September 2016.

Personal Income

According to the U.S. Department of Commerce, estimated personal income for Virginians in 2015 was over $437.1 billion. This results in a Commonwealth per capita income of $52,136, ranking tenth among states and greater than the national average of $47,669.

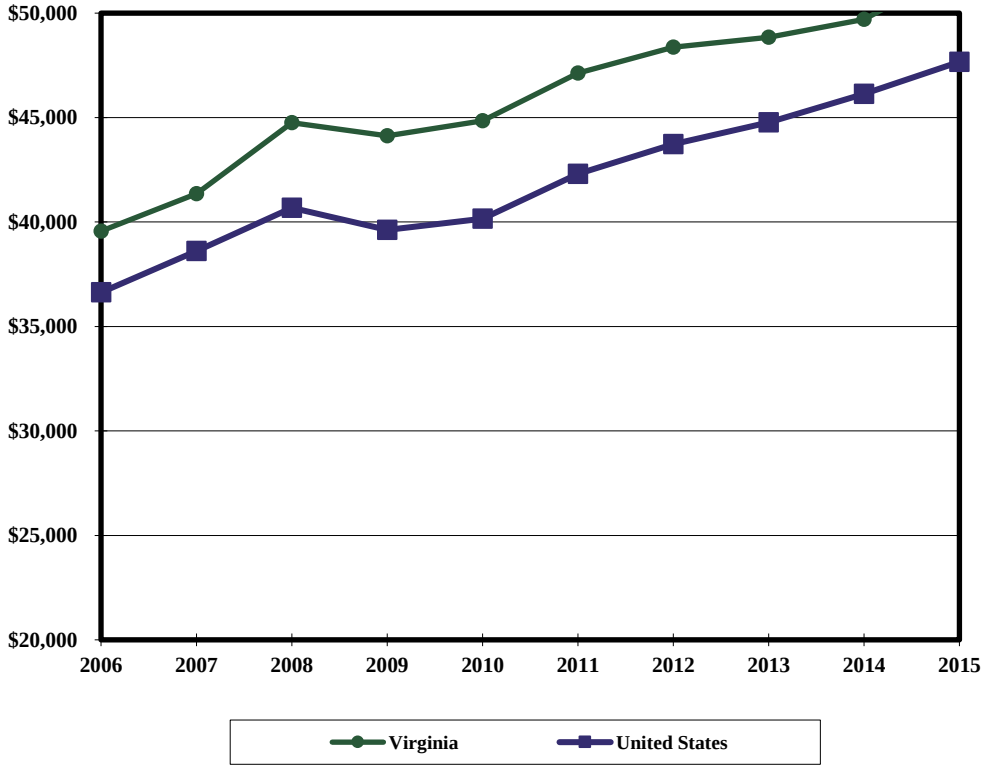
From 2006 to 2015, the Commonwealth's 2.8 percent average annual rate of growth in per capita income was slightly less than the national average rate of growth of 2.9 percent. Virginia and United States per capita personal income are shown in the following table and graph:

PERSONAL INCOME TRENDS

	Virginia		United States	
Year	Per Capita Personal Income	Increase Over Preceding Year	Per Capita Personal Income	Increase Over Preceding Year
2006	42,075	5.6	38,127	6.2
2007	43,921	4.4	39,804	4.4
2008	44,900	2.2	40,873	2.7
2009	44,063	-1.9	39,357	-3.7
2010	44,854	1.8	40,163	2.0
2011	47,126	5.1	42,298	5.3
2012	48,377	2.7	43,735	3.4
2013	48,838	1.0	44,765	2.4
2014	50,345	3.1	46,049	2.9
2015	52,136	3.6	47,669	3.5

Source: Bureau of Economic Analysis as of March 2016.

PERSONAL INCOME TRENDS



Source: Bureau of Economic Analysis as of March 2016.

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In 2015, the sources of personal income in the Commonwealth and the comparable sources of personal income for the United States are shown in the following table and pie chart:

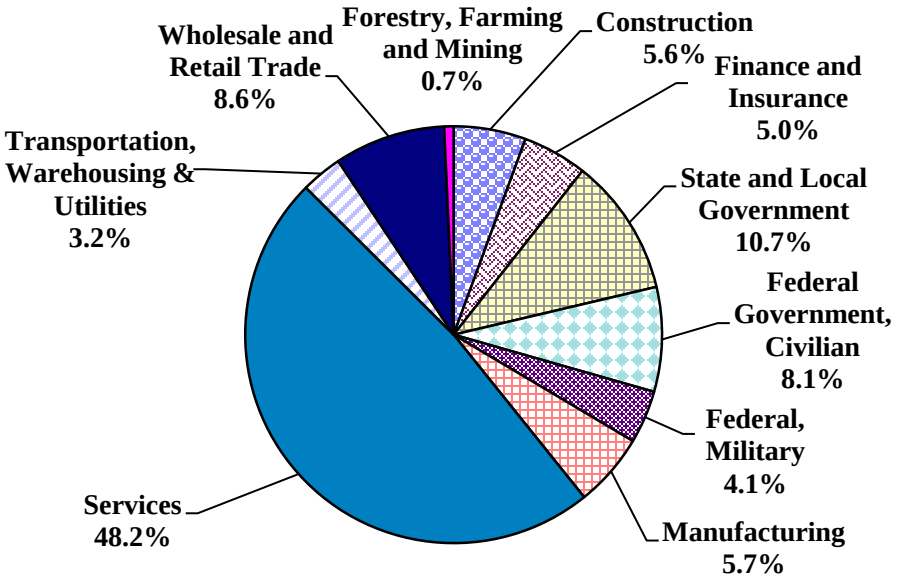
SOURCES OF PERSONAL INCOME
2016

	Virginia (in Millions)	Percentage of Personal Income Before Residence Adjustment: Virginia	Percentage of Personal Income Before Residence Adjustment: United States
Forestry, fisheries, related activities and other	$ 499	0.2 %	0.3 %
Construction	17,584	5.6	6.0
Farming	732	0.2	0.7
Finance and insurance	15,860	5.0	7.0
Government:			
State and local	33,554	10.7	12.2
Federal, civilian	25,519	8.1	2.9
Federal, military	12,808	4.1	1.2
Manufacturing	17,996	5.7	9.5
Mining	1,063	0.3	1.4
Services	151,654	48.2	43.6
Transportation, warehousing & utilities	10,178	3.2	4.3
Wholesale and retail trade	27,076	8.6	10.9
Subtotal	$ 314,523	100 %	100 %
Contributions for government social insurance	(35,291)		
Plus:			
Dividends, interest and rent	88,617		
Transfer payments	59,960		
Personal income before residence adjustment	$ 427,809		
Residence adjustment (1)	20,756		
Total Personal Income	$ 448,565		

(1) Total personal income is reported by place of residence. However, income by industry is shown by place of work. Thus, this adjustment was necessary to account for income earned by Virginia residents who worked outside the Commonwealth. These were primarily federal government employees who lived in Northern Virginia but worked in Washington, D.C.

Source: *Bureau of Economic Analysis est. for First Quarter of 2016, dated June 2016.*

DISTRIBUTION OF VIRGINIA NONAGRICULTURAL SOURCES OF GROSS PERSONAL INCOME BY MAJOR INDUSTRY
2016



Residential Construction

Residential construction was concentrated in three of the state's ten MSAs. The Virginia portions of the Washington-Arlington-Alexandria MSA, the Virginia Beach-Norfolk-Newport News MSA, and the Richmond MSA accounted for approximately 86 percent of the state total.

AGGREGATE VALUE OF AND BUILDING PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN VIRGINIA [1]

Year	Value of Construction in Current Dollars (in millions)	Percent Change from Preceding Year	Number of Permits Issued	Percent Change from Preceding Year
2006	7,267	-21.5	45,360	-27.73
2007	6,330	-12.9	38,319	-15.52
2008	4,107	-35.1	27,704	-27.70
2009	3,197	-22.2	21,455	-22.56
2010	3,311	3.6	21,404	-0.24
2011	3,400	2.7	23,271	8.72
2012	4,027	18.4	27,275	17.21
2013	5,112	27.0	32,777	20.17
2014	4,564	-10.7	28,673	-12.52
2015	4,529	-0.8	28,704	0.11

[1] Excludes mobile homes.

Source: University of Virginia, Weldon Cooper Center for Public Service.

Assessed Value of Locally Taxed Property

The Constitution of Virginia provides that real estate, coal and other mineral lands and tangible personal property, except the rolling stock of public service corporations, are reserved for taxation by cities, counties, towns and other local government entities. Shown below is the assessed value of real estate and personal property as determined by the various taxing jurisdictions and the combined value of real estate and personal property for public utilities as determined by the State Corporation Commission. cities and counties are required by law to assess real estate at 100 percent of market value.

ASSESSED VALUES OF REAL ESTATE AND TANGIBLE PERSONAL PROPERTY

Tax Year Ended 31-Dec	Real Estate	Public Service Corporation	Personal Property	Total
2005	727,049,755,759	29,539,242,718	66,156,293,731	822,745,292,208
2006	900,079,538,628	28,843,374,447	69,815,543,837	998,738,456,912
2007	982,816,278,651	29,126,367,531	70,911,848,399	1,082,854,494,581
2008	1,023,386,154,546	31,749,628,737	71,398,689,437	1,126,534,472,720
2009	988,853,631,404	34,705,834,232	68,225,665,097	1,091,785,130,733
2010	942,044,609,913	37,137,075,381	70,049,322,677	1,049,231,007,972
2011	949,019,441,456	38,455,832,384	71,600,491,421	1,059,075,765,261
2012	954,082,225,088	40,142,313,094	76,551,011,940	1,070,775,550,122
2013	969,877,013,082	41,415,115,231	73,286,019,303	1,084,578,147,616
2014	1,001,173,297,581	42,105,842,848	81,234,501,278	1,124,513,641,707

Source: Department of Taxation's 2015 Annual Report.
2015 data not yet available.

Employment

As of July 2016, up to 4.3 million residents of the Commonwealth were in the civilian labor force, which includes agricultural and nonagricultural employment, the unemployed, the self-employed and residents who commute to jobs in other states.

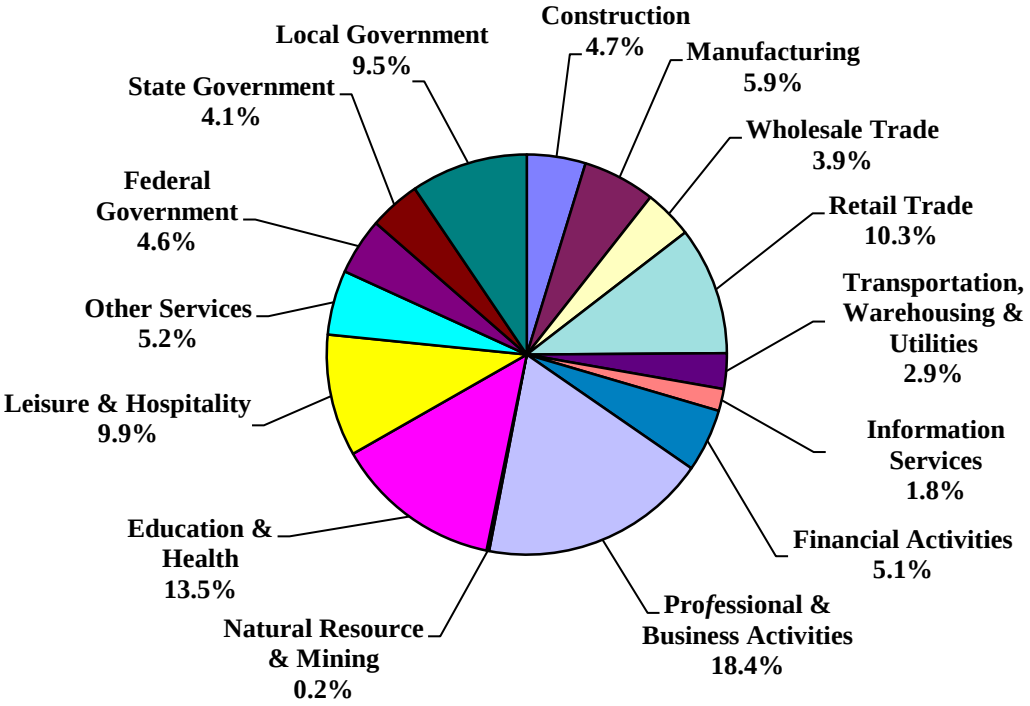
Virginia is a right-to-work state with diverse sources of income. In part because of its proximity to Washington DC, Virginia has a larger share of federal and military employees than most states. More than ten percent of Virginia's workers are federal employees or active military. The following table indicates the distribution by category of nonagricultural employment in the Commonwealth and the comparative distribution in the United States.

DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT
2016

	Virginia		United States	
Natural Resource & Mining	0.2	%	0.5	%
Construction	4.7		4.5	
Manufacturing	5.9		8.3	
Wholesale Trade	3.9		4.0	
Retail Trade	10.3		10.8	
Transportation, Warehousing & Utilities	2.9		3.7	
Information Services	1.8		1.9	
Financial Activities	5.1		7.4	
Professional & Business Activities	18.4		13.8	
Education & Health	13.5		15.5	
Leisure & Hospitality	9.9		10.6	
Other Services	5.2		3.9	
Public Administration				
Federal Government	4.6		1.9	
State Government	4.1		3.5	
Local Government	9.5		9.7	
	100.0	%	100.0	%

Source: National Data is Preliminary from The Department of Labor, Bureau of Labor Statistics release date September 2016.
Virginia Data is Preliminary from The Virginia Employment Commission Release date August 2016.

DISTRIBUTION OF VIRGINIA NONAGRICULTURAL EMPLOYMENT BY MAJOR INDUSTRY
2016



NONAGRICULTURAL EMPLOYMENT TRENDS

NONAGRICULTURAL EMPLOYMENT

	2012	2013	2014	2015	2016	% Change 2012-2016
Natural Resource & Mining	10,900	10,100	9,800	8,100	8,300	**-23.9**
Construction	175,900	177,300	179,900	185,600	185,800	**5.6**
Manufacturing	232,100	230,600	231,300	235,400	229,200	**-1.2**
Wholesale Trade	101,073	111,200	102,880	150,512	154,514	**52.9**
Retail Trade	416,923	409,900	424,380	394,276	404,760	**-2.9**
Transportation & Warehousing, Utilities	113,704	116,200	115,740	109,612	112,527	**-1.0**
Information Services	71,800	71,100	68,800	70,500	69,600	**-3.1**
Financial Activities	188,200	192,100	196,200	198,600	109,390	**-41.9**
Professional & Business Activities	678,100	678,200	663,000	695,300	720,000	**6.2**
Education & Health	477,900	497,100	513,100	507,600	528,900	**10.7**
Leisure & Hospitality	357,500	366,200	374,200	385,100	385,800	**7.9**
Other Services	190,400	193,900	197,200	199,200	204,400	**7.4**
Public Administration						
Federal Government	174,100	173,600	170,700	170,700	179,500	**3.1**
State Government	158,100	160,000	162,300	163,400	162,000	**2.5**
Local Government	380,300	376,400	375,300	374,100	370,100	**-2.7**
Total	**3,727,000**	**3,763,900**	**3,784,800**	**3,848,000**	**3,824,790**	**2.6**

Virginia Employment Commission Report Release date August 2016.

The table above shows employment trends in the Commonwealth during the five years from 2012 to 2016. The most significant growth has occurred in the Wholesale Trade, Education & Health, Leisure & Hospitality and Other Services sectors, while the largest declines were in the Financial Activities and Natural Resources & Mining sectors.

From 2015 to 2016, the largest growth rates occurred in the Federal Government sector which increased 5.2 percent, from 170,700 in 2015 to 179,500. The Education & Health sector also showed growth for the year by 4.2 percent, from 507,600 in 2015 to 528,900in 2016. The Transportation & Warehousing, Utilities, Wholesale and Retail Trade sectors grew by 2.7 percent, respectively. Changes from 2015 to 2016 occurred in sectors Financial Activities, by 44.9 percent, Natural Resources & Mining, which increased by 2.5 percent, Information Services , by 1.3 and Retail Trade, which increased by 2.7%.

Largest Employers

The ten largest private and public sector employers in the Commonwealth, each of which employed 1,000 or more persons, are shown below.

TOP TEN PRIVATE SECTOR EMPLOYERS
2016

Rank	Name	Industry
1	Wal Mart	General Merchandise Stores
2	Sentara Healthcare	Hospitals
3	Huntington Ingalls/Newport News Shipbuilding	Transportation Equipment Manufacturing
4	Food Lion	Food and Beverage Stores
5	HCA Virginia Health System	Hospitals
6	Inova Fairfax Hospital	Hospitals
7	Capital One Bank	Credit Intermediation and Related Activities
8	Kroger	Food and Beverage Stores
9	Lowe's Home Centers, Inc.	Building Material, Garden Equipment and Supplies Dealer
10	Riverside Medical Center	Hospitals

Source: Virginia Employment Commission last updated on September 3, 2016.

TOP TEN PUBLIC SECTOR EMPLOYERS
2016

Rank	Name	Industry
1	U.S. Department of Defense	National Security and International Affairs
2	Fairfax County Public Schools	Educational Services
3	U.S. Postal Service	Postal Service
4	County of Fairfax	Executive, Legislative, and Other General Government Support
5	U.S. Department of Homeland Defense	Administration of Security
6	Prince William County Schools	Educational Services
7	Loudoun County Schools	Educational Services
8	City of Virginia Beach Schools	Educational Services
9	University of Virginia /Blue Ridge Hospital	Hospitals
10	Virginia Commonwealth University	Higher Education

Source: Virginia Employment Commission last updated on September 3, 2016.

Unemployment

The Commonwealth is one of 26 states with a Right-to-Work Law and has a record of good labor-management relations. The Commonwealth's favorable business climate is reflected in the relatively small number of strikes and other work stoppages it experiences.

The Commonwealth is one of the least unionized of the more industrialized states. Three major reasons for this situation are the Right-to-Work Law; the importance of manufacturing industries such as textiles, apparel, electric and electronic equipment and lumber which are not highly unionized in the Commonwealth; and the importance of federal civilian and military employment. Typically the percentage of nonagricultural employees belonging to unions in the Commonwealth has been approximately half the U.S. average.

In the year 2016, Virginia had modest job growth in the seven metropolitan statistical areas (MSAs) reported on by the Virginia Employment Commission. Those areas include Blacksburg-Christiansburg-Radford, Charlottesville, Harrisonburg, Northern Virginia, Richmond, Virginia Beach-Norfolk-Newport News and Winchester. Northern Virginia, the state's largest MSA experienced the largest absolute job gain, with an increase of 31,800 jobs while Charlottesville experienced the largest percentage increases of 4.1%.

The following table shows the size of the Commonwealth's total civilian labor force from 2006 through 2016, the percentage unemployed during this period and the comparable national unemployment rate.

UNEMPLOYMENT TRENDS

Year	Virginia's Civilian Labor Force	Unemployment in Virginia	Unemployment in United States
2006	3,983,717	3.00	4.60
2007	4,048,996	3.00	4.60
2008	4,188,397	4.00	5.80
2009	4,179,810	6.80	9.30
2010	4,185,321	6.90	9.60
2011	4,347,644	6.10	8.50
2012	4,209,532	5.90	7.90
2013	4,240,111	5.50	7.40
2014	4,238,540	4.50	5.60
2015	4,222,819	4.20	5.00
2016*	4,268,101	4.00	5.10

** 2016 Virginia's Civilian Labor Force data from Virginia Labor Market Information, release date July 2016.*
** 2016 United States & Virginia Unemployment data from Virginia Labor Market Information, release date July 2016*
employed during this period and the comparable national unemployment rate.

Other Economic Factors [1]

Utilities: Over the last decade, Virginia opened the door to electric utility deregulation. However, the competition had not materialized. Therefore, the Virginia General Assembly enacted "re-regulation legislation" which has re-established retail rate regulation. The legislation permits choice for large commercial and industrial customers with demands exceeding 5 megawatts (MW). The measure provides flexible and innovative forms of ratemaking that could provide incentives for utility operational efficiencies and for generation plant construction. The legislation also creates incentives for the development of renewable energy resources and for energy efficiency and conservation programs.

Virginia's electric rates remain very competitive. In 2016, the average cost per unit of electricity for the industrial sector is 6.56 cents in Virginia, compared to 6.97 cents for the nation. More than 4,300 megawatts of additional electric generating power planned or under construction statewide. All transmission-owning utilities in Virginia have taken the important step of joining PJM, North America's largest regional transmission manager, which oversees the grid across a vast area from Illinois to North Carolina.

Adequate electric power is available throughout the Commonwealth through the investor-owned utilities of Dominion Virginia Power (Dominion) and Appalachian Power (APCO), 13 electric cooperatives that distribute power in rural districts, and 16 municipalities that have their own distribution systems with power purchased primarily from the previously mentioned

[1] Information contained in this section was compiled from various Virginia state agencies and entities, including the Virginia Economic Development Partnership.

companies. The electric utilities serving the Commonwealth are interconnected with neighboring utilities, both within and outside of the Commonwealth, for reliability of service.

Dominion's 1,329-megawatt Warren County Power Station, located just north of Front Royal, entered into commercial operation December 2014. This natural gas-fires power station can produce enough electricity to power about 330,000 homes at peak demand. In April 2016, the 1,360-megawatt Brunswick Power Station in Brunswick County officially began generating electricity for Dominion customers.

Dominion's $1.8 billion clean-coal power station in Wise County, Virginia became operational in July, 2012. The 668-megawatt coal-fired power plant, also known as the Virginia City Hybrid Energy Center, uses advanced technology designed to reduce emissions and protect the environment.

Virginia is served by eight regulated natural gas utility companies which provide an extensive network of underground pipes and other gas facilities. In 2014, Virginia's industrial sector accounted for nearly 20 percent of natural gas consumption in the state. Virginia's natural gas suppliers specialize in serving industrial customers and provide expert advice in engineering, construction and inspection.

With few exceptions, municipalities and several highly urbanized counties own their own waterworks systems. In some instances, the system of a municipality serves nearby communities and suburban areas. Most subdivision systems are privately owned and operated. Some federal installations and many industrial plants have their own water supplies. Larger municipalities usually depend on surface water or surface water supplemented by groundwater. There are approximately 2,700 public community water supplies in Virginia, serving approximately 87 percent of the state's population. Virginia has more than 50,000 miles of freshwater streams producing greater than 25 billion gallons per day of freshwater flow.

All cities, many towns, and some counties have their own sewage collection systems. Existing or planned facilities provide wastewater treatment which meets or will meet established water quality standards.

Transportation: The state's central location on the East Coast is within a one day (10-hour) drive of 43% of the U.S. population. As the nation's third largest state-maintained transportation network, Virginia's highway system includes more than 70,000 miles of primary and secondary roads and six major north-south and east-west interstate routes. The Commonwealth is within easy reach of the nation's leading industrial and distribution centers. For example, Richmond is only 338 miles from New York City to the north, 623 miles from Detroit to the west, and 521 miles from Atlanta to the south. Two of the nation's largest Class I railroads operate in Virginia. CSX Corporation Railroad has offices in Richmond, and Norfolk Southern Corporation is headquartered in Norfolk. Both have extensive infrastructure throughout the Commonwealth. Eight shortline railroads also provide freight rail service. Nearly 3,400 miles of railway (excluding trackage rights) traverse the state.

Norfolk Southern Corporation's Heartland Corridor double-stack rail project is a $290 million public-private partnership that offers efficient routing between the Port of Virginia and the Midwest markets. In a major engineering feat, clearances were raised in 29 tunnels to make way for double stacked intermodal trains. Cargo can now be transported via double-stack rail with next morning service to Columbus, Ohio and second-morning service to Chicago, Illinois while existing rail lines can handle increasing container volumes.

Norfolk Southern's Crescent Corridor Project will improve the existing 2,500-mile rail network enabling it to handle more freight traffic. The Crescent Corridor traverses 13 states from Louisiana to New Jersey and touches 26 percent of the nation's population and 26 percent of the nation's manufacturing output. The estimated $3 billion project is expected to be fully operational in 2020. To increase rail capacity on the Crescent's route through Virginia, Norfolk Southern is planning $47.1 million in track and signal upgrades through 2016. With 30 new lanes now open connecting to the Crescent Corridor, Norfolk Southern's high capacity intermodal routes are truck competitive, fuel efficient and dependable.

Virginia is served by 14 commercial airports (including those just across the state line at Bluefield, West Virginia; Blountville, Tennessee; Greensboro and Raleigh-Durham, North Carolina; and Baltimore, Maryland). Scheduled commercial

airline service is provided to over 147 non-stop destinations around the world. Two of the nation's largest airports, Dulles International and Ronald Reagan Washington National Airports offer daily international non-stop flights to approximately 50 destinations. The commercial airports are supplemented by 57 general aviation airports licensed for public use throughout the Commonwealth. Washington Dulles International has been one of the fastest growing airports in the country. Ronald Reagan Washington National Airport located in Arlington, historically has been one of the world's busiest airports.

Virginia Commercial Space Flight Authority: The Commonwealth, through the Virginia Commercial Space Flight Authority (VCSFA) and in partnership with NASA, has invested heavily in the development of the Mid Atlantic Regional Spaceport (MARS) at Wallops Island, Virginia. The MARS facility is only one in four spaceports in the United States that is currently licensed to launch to orbit, and is only one of two on the east coast. The Commonwealth has invested over $80 million in state funds that were used for the construction of the new Pad OA to support Orbital Science Corporation's contract with NASA for eight resupply missions to the International Space Station (ISS). With NASA turning to the commercial aerospace industry to conduct many of its mission critical activities, the Commonwealth is well situated to serve a vital role in the future of our nation's space program. MARS, with its strategic location, serves not only as a valuable asset to the U.S. space program, but also as crucial link in Virginia's job creation and economic development efforts.

Port Facilities: The Port of Virginia is largely responsible for the Commonwealth's strong ties with international commerce. As a 50 foot ice channel, the Port of Virginia offers the deepest shipping channels on the U.S. East Coast, and is serviced by more than 30 international steamship lines. Norfolk Southern and CSX offer on-dock, double stack intermodal service to key inland markets in the Midwest, Ohio Valley and Southeast.

Norfolk International Terminals (NIT) located in Hampton Roads Harbor on 567 acres along the Elizabeth and Lafayette Rivers, is the Port of Virginia's largest terminal, and has fourteen of the biggest, most efficient cranes in the world. The General Assembly in 2016 authorized the financing of a $350 million expansion of the cargo capacity at NIT. The money will be used to reconfigure the South Berth, increasing the cargo capacity at NIT by 46% to approximately 2 million TEUs. With the purchase of additional rail mounted gantry cranes, capacity and efficiency will increase. The main channel leading to the terminal is 50 feet deep and the Virginia Port Authority (VPA) has the authorization to dredge to 55 feet when needed. Slightly down the river from NIT is VPA's second largest terminal, Portsmouth Marine Terminal (PMT). PMT has 3,540 feet of wharf, 3 berths, and 6 cranes, and has direct access to both CSX and Norfolk Southern railways, and will soon connect to the Commonwealth Railway, a 19-mile short line. Located in Newport News, Virginia, the Newport News Marine Terminal (NNMT) provides 42,720 feet of direct cargo loading on and off ships to and from the CSX break-bulk rail service, and 3,480 feet of total pier space serviced by four cranes, covered storage, container storage, and accessibility from 3 major Virginia roadways.

In 2010, the VPA executed a 20-year lease with Virginia International Gateway (VIG), formerly APM Terminals North America. The lease allows VPA to assume operations at the VIG facility in Portsmouth, Virginia. The 576 acre terminal is recognized as the most technologically advanced marine cargo facility in the Americas, and provides on-site rail with links to Norfolk Southern and CSX. VIG has a current capacity of over one million twenty-foot equivalent units (TEUs) annually, with room for further expansion. In late September 2016, the VPA announced the conclusion of renegotiations for an amended lease with Virginia International Gateway (VIG). As part of the amended lease agreement, which would extend the lease term to 2065, the terminal will be expanded to include a 650-foot berth extension, 13 new customer yard sticks with automatic stacking rail-mounted gantry cranes, an extended rail yard utilizing cantilevered rail-mounted gantry cranes, and four new inbound gate lanes.

The Virginia Inland Port (VIP) in Front Royal is an intermodal container transfer facility that complements the Port of Virginia's marine terminal services. VIP occupies 161 acres of land and is approximately 60 miles west of Washington, D.C. The terminal brings the Port of Virginia 220 miles closer to inland markets by providing rail service to the terminals in Hampton Roads. It also consolidates and containerizes local cargo for export. VIP serves markets in northern Virginia, West Virginia, Maryland, Pennsylvania and Eastern Ohio. The facility also contains 17,820 feet of on-site rail served by Norfolk Southern and is located within 1 mile of I-66 and 5 miles of I-81. The Virginia Inland Port is a U.S. Customs-designated port of entry and provides the full range of customs functions to customers.

In 2012, the Port of Virginia and the U.S. Army Corps of Engineers signed a partnership agreement for the Craney Island Eastward Expansion project. This dual-purpose project will extend the life of Craney Island as a dredged material management area and also provide land for the construction of a new marine terminal.

This $2.2 billion multi-phase project will result in the newest, most modern marine terminal in the United States. The terminal will be built in three phases over the next 20 to 25 years with Phase One completion scheduled in 2030.

Ports of Entry: Five Port of Entry facilities and one Service Port facility also serve businesses: Front Royal, New River Valley Airport in Dublin, Norfolk-Newport News (Service Port), Richmond-Petersburg, Tri-Cities near Bristol in Northeaster Tennessee and Washington-Dulles in Northern Virginia.

Telecommunications: Virginia is one of the most connected states in the nation with access to a robust fiber network that matches or exceeds virtually every domestic market and most major financial centers around the world. The Commonwealth hosts prominent commercial internet exchange points, and 70 percent of the world's internet traffic passes through the Metropolitan Area Exchange East located in Ashburn, Virginia. The Richmond area has been connected to Ashburn with "dark fiber" opening opportunities along the I-95 corridor. In Southern and Southwest Virginia, the benefits of a 1,500+ mile advanced fiber-optic broadband network connects more than 100 certified GigaParks.

Customers in the Commonwealth have access to a full range of high quality, technologically advanced communication services. Virtually all major cities and towns are linked by fiber-optic lines crisscrossing the Commonwealth, which, in turn, are tied into recently constructed national fiber optic networks. In the 2016 Digital States Survey, Virginia was one of only five states to receive the top ranking of "A".

Since 2006, the Mid-Atlantic Broadband Cooperative (MBC), nationally renowned as a model for rural economic development, has provided world-class fiber-optic backbone network infrastructure to Southern Virginia. This cable network provides opportunities for the region to connect directly with major Tier 1 peering and carrier collocation centers. MBC owns and operates more than 1,800 miles of advanced, open-access fiber network in 31 counties in Southern Virginia that reaches 100% of the business, industrial, and technology parks in the region. Backed by grants from the U.S. Department of Commerce and the Virginia Tobacco Commission, MBC continues to grow and expand.

Efforts are underway to further expand and enhance Southwest Virginia's technological capabilities. Grants from the Tobacco Commission and the Virginia Coalfield Economic Development Authority will enable electronic upgrades as well as last mile connections.

The Bristol Virginia Utilities (BVU) Authority is a public utility company in Southwest Virginia that expanded its broadband infrastructure 900 miles into eight neighboring counties. That network – called OptiNet and CPC OptiNet in four of the counties – now provides fiber-optic speeds of up to 1 Gbps (gigabit per second) to customers in the city of Bristol and the counties of Bland, Buchanan, Dickenson, Russell, Smyth, Tazewell, Washington and Wythe, positioning Southwest Virginia for unprecedented economic growth. Monetary grant awards of nearly $40 million from the Virginia Tobacco Commission since 2003 have helped to fund the existing 900-mile OptiNet infrastructure. As recently as July 2010, the Virginia Tobacco Commission continued its support of OptiNet by providing another $5 million, facilitating acquisition of a Recovery Act grant of $22 million from the National Telecommunications and Information Administration. The monies go toward construction of 388 miles of middle-mile fiber into seven of OptiNet's rural counties. This project paves the way for eventual fiber-to-the-home connectivity across Southwest Virginia. BVU Authority is considering the sale of all of its OptiNet and CPC OptiNet assets to Sunset Digital Communications.

Citizens is a regional full service communications provider offering land-line telephone, VoIP, IPTV Video, web and e-mail hosting, DSL, and FTTP (Fiber to the Premises: Business Ethernet and FTTH, Fiber to the Home), serving 7 counties in Southwest Virginia. In addition, Citizens operates a 248 mile regional open access fiber network in 6 Virginia counties including 8 industrial parks. Citizen provides wholesale transport and internet bandwidth to a variety of service providers and partners with

other open access networks, like MBC and BVU, to provide high-capacity optical transport services that are necessary to assist in the economic revitalization efforts of Southwest and Southside Virginia.

Research and Development: The Commonwealth is home to many internationally recognized research and development (R&D) facilities. Federally funded R&D facilities, coupled with the research from Virginia universities, provide Virginia businesses access to leading researchers and technologies. Virginia is home to hundreds of private sector R&D operations, 11 federally funded R&D Centers, and 23 Federal Laboratory Consortium Laboratories such as the Homeland Security Institute, NASA Langley Research Center, and the Thomas Jefferson National Accelerator Facility. Unique university research parks across the state offer private companies' opportunities for co-location and cooperative relationships with Virginia universities, federal labs and other research consortia.

The Virginia BioTechnology Park in downtown Richmond is home to over 60 life science companies, research institutes and state/federal labs, employing over 2,400 scientists, engineers and researchers. The Park features nine buildings on a 34-acre campus. Members include early and mid-stage companies; multinational pharmaceutical, environmental and consumer product companies; national healthcare organizations managing the nation's solid organ transplant program and a number of international companies; multinational pharmaceutical, environmental and consumer product companies; national healthcare organizations managing the nation's solid organ transplant program and a number of international companies.

The National Institute of Aerospace (NIA) is a non-profit research and graduate education institute headquartered in Hampton, Virginia, near NASA's Langley Research Center. NIA's mission is to conduct leading-edge aerospace and atmospheric research, develop new technologies for the nation and help inspire the next generation of scientists and engineers. NIA was formed in 2002 by a consortium of research universities to ensure a national capability to support NASA's mission by expanding collaboration with academia and leveraging expertise inside and outside NASA. NIA performs research in a broad range of disciplines including space exploration, systems engineering, nanoscale materials science, flight systems, aerodynamics, air traffic management, aviation safety, planetary and space science, and global climate change.

SRI Shenandoah Valley in Harrisonburg, Virginia focuses on health and biomedical research and drug discovery and development with the ultimate goal of bringing new therapies and diagnostics to market. As part of SRI Biosciences, the research complements capabilities at other SRI locations, including SRI's Menlo Park, California headquarters. SRI's state-of-the-art 40,000-square-foot research facility is located on a 25-acre campus in the Innovation Village at Rockingham. The facility provides a convenient base for collaboration with academia, entrepreneurs, government, industry, and investors in Virginia and the greater Washington, D.C. area. SRI moved into its Shenandoah Valley laboratory facility in 2009 and further expanded in 2011 and 2013 to accommodate growth in its R&D programs. Scientific research at SRI Shenandoah Valley focuses on prevention, detection and treatment of diseases. Activities span basic research in emerging infectious disease, metabolic disease and proteomics; applied research in therapeutics including drugs, biologics, and vaccines; and personalized medicine through the development of companion diagnostics and biomarkers.

The Commonwealth Center for Advanced Manufacturing (CCAM) located in a state-of-the-art research facility in Prince George County, Virginia, is an applied research center that bridges the gap between fundamental research typically performed at universities and product development routinely performed by companies. CCAM provides production-ready advanced manufacturing solutions to member companies across the globe. Members guide the research, leveraging talent and resources within CCAM and at Virginia's top universities, through a collaborative model that enables them to pool R&D efforts to increase efficiencies. Results can then be applied directly to the factory floor, turning ideas into profit faster and more affordable than ever before.

Following the successful model of the Commonwealth Center for Advanced Manufacturing, the Commonwealth Center for Advanced Logistics Systems (CCALS) was established in 2013, also in Prince George County, Virginia. This public-private alliance focuses on solving logistics challenges and bringing solutions to market more quickly by partnering Virginia's leading universities and logistics companies. Founding members include Longwood University, University of Virginia, Virginia Commonwealth University, Virginia State University, Logistics Management Resources, and LMI.

New and Expanding Companies: In August of 2016, Fortune 200 retailer Dollar Tree announced that it will invest $110 million to expand its headquarters in the City of Chesapeake. This expansion is expected to create 600 new jobs, and an additional 825 jobs have been retained.

German grocer Aldi chose Dinwiddie County as the location for a new division headquarters and 500,000 square-foot distribution facility. This new facility was announced in August 2016, and it is expected to create 145 new jobs and involve $57 million in investment

.

Grant Thornton, a subsidiary of British firm Grant Thornton International, announced in June 2016 that it would be consolidating its D.C. and Virginia locations in Arlington County. Grant Thornton will invest $15.75 million as part of this consolidation and create 348 new jobs. An additional 994 jobs will be retained in Virginia.

In March 2016, Deschutes Brewery announced that the City of Roanoke would be the location of the Oregon company's first Eastern U.S. location. The company is expected to invest $85 million and create 108 new jobs.

During that same month, Italian auto-parts manufacturer Eldor Corporation announced that it would be building its first U.S. factory in neighboring Botetourt County. Eldor will invest more than $75 million and create 350 new jobs with this new project.

In March 2016, pharmaceutical company Merck announced that it will invest $168 million to upgrade its manufacturing facility in Rockingham County. Merck has been a valued employer in this community since 1941.

Polykon Manufacturing LLC, a joint venture between German Seppic Inc. and French Shulke Inc., announced in February 2016 that it would be locating its first North American manufacturing facility in Henrico County. This facility will manufacture ingredients for the cosmetic and pharmaceutical industries, create more than 50 new jobs, and bring in over $56 million in investment.

In November 2015, Microsoft announced the fourth expansion of its data center in Mecklenburg County. This expansion will create 42 new jobs, and involve over $402 million in investment by the company. With this expansion, Microsoft will have invested $1.74 billion in Mecklenburg County since 2010.

Navy Federal Credit Union announced in March 2015 that it will invest $114.6 million to expand its headquarters in Fairfax County. This expansion is expected to create 600 new jobs. Navy Federal Credit Union is a valued employer that supports over 5,000 jobs in the Commonwealth.

German grocer Lidl announced in June 2015 that it had chosen Arlington County as the site of its U.S. headquarters. The company will invest over $77 million and create over 500 new jobs. The company also announced $125 million in investment to construct a distribution center in Spotsylvania County and create 200 new jobs.

In July 2015, Richmond-based Hardywood Craft Brewery announced that it will be investing over $28 million to construct a 60,000-square-foot brewery in Goochland County. This brewery is expected to create 56 new jobs and is yet another example of the Commonwealth's growing craft brewing industry.

Business Climate: Virginia is headquarters to 37 Fortune 1000 companies and is ranked highly in three of the most comprehensive and impartial independent studies evaluating America's top states for business: Forbes.com, Pollina Corporate Real Estate; and CNBC.

In 2016, 328 Virginia companies appeared on the Inc. 5000 list of the fastest growing private companies in the country This places the Commonwealth among the top 5 states in the nation,

Virginia ranked seventh in the country in Forbes.com's 2015 *Best States for Business* study. Virginia took the top spot in 2006, 2007, 2008, 2009, and 2013 and ranked second overall in 2010, 2011, and 2012. The review examines multiple objective measurements, including business cost, regulatory climate, quality of the workforce, and economic growth. Forbes.com is the official Internet site of the Forbes family of business publications. According to Forbes.com 2015 study, the Commonwealth ranked

No. 1 in the Regulatory Environment category because of its strong incentive offerings and business-friendly government policies, ranked No. 2 for labor supply, and for the second year in a row received a No. 5 ranking for quality of life.

In 2015, Pollina Corporate Real Estate, a full-service brokerage and consulting firm representing corporations in real estate matters on a national and international basis, ranked Virginia as America's fourth most business-friendly state in their annual independent study titled, *Pollina Corporate Top 10 Pro-Business States 2015*. The study evaluates and ranks states based on 32 factors including taxes, human resources, right-to-work legislation, energy costs, infrastructure spending, worker compensation legislation, jobs lost or gained, economic incentive programs and state economic development efforts. According to the most recent study, Virginia excels in offering low operating costs, a pro-business environment, access to global markets, and a skilled educated workforce to businesses. The Commonwealth ranked first in the Pollina study in 2007, 2009, 2010, and 2011 while ranking second in 2006 and 2012; third in 2008, and fourth in 2013. In the 2015 study, the Commonwealth was also ranked third in business friendliness, fifth in education, and third in workforce.

Virginia was ranked thirteenth in CNBC's *America's Top States for Business 2016*. All 50 states are ranked on 60 measures of competitiveness, using input from business groups, economic development experts, companies, and the states themselves. The network separates those measures into 10 broad categories: cost of doing business, workforce, quality of life, economy, infrastructure, technology and innovation, education, business friendliness, access to capital, and cost of living. Since the rankings began, Virginia has, claimed the number one spot in 2007, 2009, and 2011 while receiving second in 2008 and 2010. In the 2016 study, the Commonwealth was also ranked third in business friendliness, fifth in education, and third in workforce.

Education: The Constitution of Virginia vests the supervision of public elementary and secondary schools in local school boards. The State Board of Education is, however, required to prescribe standards of quality and has prescribed minimum competency tests for high school graduation.

Virginia's public schools are financed through a combination of state, local and federal funds. The private sector also contributes through partnerships with schools and school divisions. The apportionment of the state funds for public education is the responsibility of the General Assembly, through the Appropriations Act. General fund appropriations serve as the mainstay of state support for the commonwealth's public schools, augmented by retail sales and use tax revenues, state lottery proceeds, and other sources. Historically, state funding for public education represents about one-third of the state general fund budget.

Counties, cities and towns comprising school divisions also support public education by providing the locality's share to maintain an educational program meeting the commonwealth's Standards of Quality.

While public education is primarily a state and local responsibility, the federal government provides assistance to state and local education agencies in support of specific federal initiatives and mandates.

In the 2015-16 academic year, an estimated 393,545 students were enrolled in the Commonwealth's 39 public colleges, community colleges and universities. Of these students, an estimated 179,065 attended 23 community colleges on 40 campuses within the Virginia Community College System. A total of 1,284,680 students attended public elementary and secondary schools. The following table illustrates enrollment levels for all educational levels for the last 10 academic years.

ENROLLMENT FOR PUBLIC AND PRIVATE INSTITUTIONS OF HIGHER EDUCATION AND PUBLIC PRIMARY AND SECONDARY SCHOOLS

Academic	Higher Education			Public Primary and
Year	Public	Private	Total	Secondary
2006-07	357,857	70,785	428,642	1,220,440
2007-08	370,598	79,073	449,671	1,230,857
2008-09	383,459	86,959	470,418	1,235,064
2009-10	401,352	100,514	501,866	1,244,873
2010-11	409,277	110,495	519,772	1,251,949
2011-12	413,019	122,275	535,294	1,258,520
2012-13	409,069	123,144	532,213	1,264,880
2013-14	403,975	125,343	529,318	1,273,211
2014-15	398,689	135,591	534,280	1,279,773
2015-16	393,545	135,121	528,666	1,284,680

Source: State Council for Higher Education in Virginia, Virginia Department of Education.

Natural Resources: Virginia's five physiographic provinces are underlain by rocks of different ages, kinds, and character. Consequently, the state has a wide variety of mineral resources. Today, the value of mineral production in Virginia is nearly $3.7 billion. In terms of value, the most important commodity is bituminous coal. Seven counties in the Appalachian Plateau region constitute the Southwest Virginia Coal Field. According to *Virginia Economic Indicators* published by the Virginia Employment Commission (Vol. 43, No. 4), the mining industry is expected to follow energy markets. It is predicted that utilities will use less coal due to the conversion of old coal-fired power plants to natural gas**.**

Virginia's forests provide more than $17 billion in annual economic benefits to the Commonwealth, and the forest industry provides employment for more than 103,000 Virginians. In addition, the nearly 16 million acres of forestland provide citizens environmental benefits, such as water quality and air quality, habitat for wildlife and plants, recreational opportunities and aesthetic beauty.

Virginia's geographic location contributes to the success of its seafood industry. The Virginia seafood industry is one of the oldest industries in the United States and largest seafood production state on the East Coast. In addition, Virginia is the nation's third largest producer of marine products with total landings of over $388 million pounds in 2014. Its ports are rarely, if ever, closed in the winter. Its catch is widely diversified, preventing dependence on any one species. Among the 50 commercially valuable seafood species harvested from some 620,000 acres of water are sea scallops, clams, oysters, blue crabs, summer flounder, striped bass, croaker and spot. The Virginia Institute of Marine Science has reported the annual economic impact of Virginia's seafood industry to be over $500 million.

Agriculture: The agricultural industry has an economic impact of $52 billion annually and provides nearly 311,000 jobs in the Commonwealth. The industries of agriculture and forestry together have a total economic impact of almost $70 billion. Every job in agriculture and forestry supports 1.6 jobs elsewhere in the Virginia economy.

Production agriculture employs nearly 55,000 farmers and workers in Virginia and generates approximately $3.3 billion in total output. Value-added industries, those that depend on farm commodities, employ an additional 67,000 workers. When the employment and value-added impact of agriculture and forestry are considered together, they make up 8.1 percent of the state's local gross domestic product.

Tourism: Another of Virginia's most important economic assets is the travel and tourism industry. Tourism's economic contribution to Virginia in 2015 increased to 22.9 billion, a 2.4 percent increase over 2014. Approximately 223,100 Virginia jobs were directly supported by travel spending in 2015, including employment in such travel-related businesses as lodging establishments, restaurants, museums, amusement parks, retail stores and gasoline service stations. Tourism is also a significant source of government revenues and was responsible for $3.1 billion in combined state and local tax revenues in 2015, up 6.2 percent from 2014.

APPENDIX D

COMMONWEALTH OF VIRGINIA AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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FINANCIAL SECTION

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

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Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2015

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, 2015, 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. These component units account for the following percentages of total assets and deferred outflows of resources, revenues, and net position of the opinion units affected.

Opinion Unit	Total Assets and Deferred Outflows	Net Position	Revenues
Business-Type Activities	7.308%	0.091%	-
Aggregate Remaining Fund Information	0.392%	0.002%	-
Aggregate Discretely Presented Component Units	29.224%	24.094%	9.993%

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, 2015, 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, 2015, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension - an amendment of GASB Statement No. 27* and GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The Commonwealth of Virginia implemented the requirements of GASB Statements No. 68 and 71 in accordance with their required effective date. See Notes 2, 13 and 15 in the accompanying financial statements for the impact of the standards' implementation. Our opinion is not modified with respect to this matter.

Correction of 2014 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2014 governmental activities, business-type activities, component units, Commonwealth Transportation major special revenue fund, and proprietary funds financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Change in Reporting Entity

In addition, as discussed in Note 2 of the accompanying financial statements, the component unit financial statements have been restated due to the removal of the Virginia Horse Center Foundation as a non-major component unit of the Commonwealth. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in employer's net pension liability, schedule of employer contributions for pension plans, funding progress for other post-employment benefit plans, schedule of employer contributions for other post-employment benefit plans, and claims development information on pages 27 through 37 and 177 through 196 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, 2015, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters is issued in the Commonwealth of Virginia Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commonwealth's internal control over financial reporting and compliance.

MARTHA S. MAVREDES
AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion and Analysis
(Unaudited)

The following is a discussion and analysis of the Commonwealth of Virginia's (the Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2015. 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, 2015, by $20.8 billion. Net position of governmental activities increased by $868.1 million and net position of business-type activities increased by $303.0 million. Component units reported an increase in net position of $1.1 billion from June 30, 2014.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $4.3 billion, an increase of $402.8 million in comparison with the prior year. Of this total fund balance, $282.5 million represents nonspendable fund balance, $2.2 billion represents restricted fund balance, $2.5 billion represents committed fund balance, and $28.8 million represents assigned fund balance. These amounts are offset by a negative $713.1 million unassigned fund balance. The Enterprise Funds reported net position at June 30, 2015, of $1.4 billion, an increase of $303.9 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 higher assets and deferred outflows of resources and lower liabilities and deferred inflows of resources when compared to fiscal year 2014. See page 34 for additional information.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to $41.9 billion, an increase of $4.3 billion, or 11.4 percent. During the fiscal year, the Commonwealth issued new debt in the amount of $1.4 billion for the primary government and $5.0 billion for the component units. These debt issuances increased the debt balances to $14.7 billion for the primary government and $27.2 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 2015. 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 26 non-higher education component units and 22 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

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

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

Fund Financial Statements

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

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

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

  The Commonwealth reports 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 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 197 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 $20.8 billion during the fiscal year. The net position of the governmental activities increased $868.1 million, or 4.7 percent, primarily due to increases in capital assets and deferred outflows of resources offset by increases in total liabilities and deferred inflows of resources. Capital assets are discussed further on page 35, the long-term liabilities are discussed further on page 36, and deferred inflows and outflows of resources are discussed in Note 13, "Deferred Outflows and Deferred Inflows of Resources." Business-type activities had an increase of $303.0 million, or 28.2 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. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, and the correction of prior year errors to arrive at a restated beginning balance of $19.6 billion.

Figure 11
Net Position as of June 30, 2015 and 2014
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014 as restated	2015	2014 as restated	2015	2014 as restated
Current and other assets	$ 9,244,081	$ 8,966,466	$ 4,425,736	$ 4,042,573	$ 13,669,817	$ 13,009,039
Capital assets	29,347,883	27,908,070	40,227	168,539	29,388,110	28,076,609
Deferred outflows of resources	507,048	53,940	13,438	-	520,486	53,940
Total assets and deferred outflows of resources	39,099,012	36,928,476	4,479,401	4,211,112	43,578,413	41,139,588
Long-term liabilities outstanding	11,953,821	11,996,146	2,736,277	2,779,870	14,690,098	14,776,016
Other liabilities	4,790,020	4,801,203	342,291	354,809	5,132,311	5,156,012
Deferred inflows of resources	2,918,314	1,562,385	21,371	-	2,939,685	1,562,385
Total liabilities and deferred inflows of resources	19,662,155	18,359,734	3,099,939	3,134,679	22,762,094	21,494,413
Net position:						
Net investment in capital assets	23,406,620	22,326,288	34,519	12,312	23,441,139	22,338,600
Restricted	1,435,961	1,465,891	845,213	586,073	2,281,174	2,051,964
Unrestricted	(5,405,724)	(5,223,437)	499,730	478,048	(4,905,994)	(4,745,389)
Total net position	$ 19,436,857	$ 18,568,742	$ 1,379,462	$ 1,076,433	$ 20,816,319	$ 19,645,175

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

An additional portion of the primary government's net position represents restricted net position. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of negative $4.9 billion is unrestricted net position (**Figure 11**).

Approximately 55.4 percent of the primary government's total revenue came from taxes. While the primary government's expenses cover many services, the largest expenses are for education and individual and family services. General revenues normally fund governmental activities. For fiscal year 2015, governmental program and general revenues exceeded governmental expenses by $274.3 million. Program revenues exceeded expenses from business-type activities by $986.0 million. The following condensed financial information (**Figure 12**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net position (see page 42).

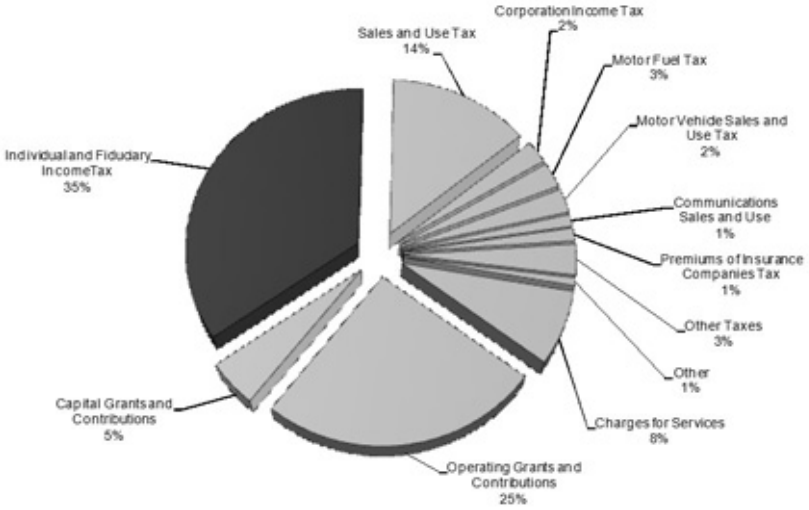
Figure 12
Changes in Net Position for the Fiscal Years Ended June 30, 2015 and 2014
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014 as restated	2015	2014 as restated	2015	2014 as restated
Revenues:						
Program Revenues:						
Charges for Services	$ 2,594,514	$ 2,560,863	$ 3,953,679	$ 4,131,281	$ 6,548,193	$ 6,692,144
Operating Grants and Contributions	8,914,631	8,731,809	183	264	8,914,814	8,732,073
Capital Grants and Contributions	1,618,761	1,508,880	-	69,595	1,618,761	1,578,475
General Revenues:						
Taxes:						
Individual and Fiduciary Income	12,265,530	11,681,808	-	-	12,265,530	11,681,808
Sales and Use	4,829,677	4,597,105	-	-	4,829,677	4,597,105
Corporation Income	801,165	769,832	-	-	801,165	769,832
Motor Fuel	888,348	791,944	-	-	888,348	791,944
Motor Vehicle Sales and Use	846,197	780,817	-	-	846,197	780,817
Communications Sales and Use	416,051	420,371	-	-	416,051	420,371
Deeds, Contracts, Wills, and Suits	440,896	394,834	-	-	440,896	394,834
Premiums of Insurance Companies	453,376	459,933	-	-	453,376	459,933
Alcoholic Beverage Sales	139,832	132,044	-	-	139,832	132,044
Tobacco Products	178,954	182,110	-	-	178,954	182,110
Estate	92	149	-	-	92	149
Public Service Corporations	118,849	119,074	-	-	118,849	119,074
Beer and Beverage Excise	42,719	43,050	-	-	42,719	43,050
Wine and Spirits/ABC Liter	26,253	25,620	-	-	26,253	25,620
Bank Stock	19,030	22,581	-	-	19,030	22,581
Other Taxes	112,368	95,415	9,142	9,142	121,510	104,557
Unrestricted Grants and Contributions	48,613	48,730	-	-	48,613	48,730
Investment Earnings	15,970	44,571	1,603	1,735	17,573	46,306
Miscellaneous	205,625	233,716	243	358	205,868	234,074
Total Revenues	34,977,451	33,645,256	3,964,850	4,212,375	38,942,301	37,857,631
Expenses:						
General Government	3,267,325	3,545,550	-	-	3,267,325	3,545,550
Education	9,844,625	9,484,561	-	-	9,844,625	9,484,561
Transportation	4,369,089	4,060,677	-	-	4,369,089	4,060,677
Resources and Economic Development	970,515	1,163,797	-	-	970,515	1,163,797
Individual and Family Services	13,276,897	13,875,427	-	-	13,276,897	13,875,427
Administration of Justice	2,751,111	3,641,626	-	-	2,751,111	3,641,626
Interest and Charges on Long-term Debt	223,584	237,782	-	-	223,584	237,782
Virginia Lottery	-	-	1,299,753	1,281,732	1,299,753	1,281,732
Virginia College Savings Plan	-	-	155,331	110,156	155,331	110,156
Unemployment Compensation	-	-	431,437	535,715	431,437	535,715
Alcoholic Beverage Control	-	-	579,945	595,272	579,945	595,272
Risk Management	-	-	10,240	13,839	10,240	13,839
Local Choice Health Care	-	-	349,910	308,295	349,910	308,295
Route 460 Funding Corporation of Virginia	-	-	13,024	82,257	13,024	82,257
Virginia Industries for the Blind	-	-	42,722	39,198	42,722	39,198
Consolidated Laboratory	-	-	8,630	11,244	8,630	11,244
eVA Procurement System	-	-	22,563	23,739	22,563	23,739
Department of Environmental Quality Title V	-	-	10,444	16,287	10,444	16,287
Wireless E-911	-	-	36,804	46,598	36,804	46,598
Museum and Library Gift Shops	-	-	6,618	7,174	6,618	7,174
Behavioral Health Canteen and Work Activity	-	-	466	442	466	442
Total Expenses	34,703,146	36,009,420	2,967,887	3,071,948	37,671,033	39,081,368
Excess before transfers	274,305	(2,364,164)	996,963	1,140,427	1,271,268	(1,223,737)
Special Item	(134,561)	-	34,437	-	(100,124)	-
Transfers	728,371	723,701	(728,371)	(723,701)	-	-
Increase in net position	868,115	(1,640,463)	303,029	416,726	1,171,144	(1,223,737)
Net position, July 1, as restated	18,568,742	20,209,205	1,076,433	659,707	19,645,175	20,868,912
Net position, June 30	$ 19,436,857	$ 18,568,742	$ 1,379,462	$ 1,076,433	$ 20,816,319	$ 19,645,175

Governmental Activities Revenues

Figure 13 is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.3 billion, or 4.0 percent. The net increase is mainly attributable to increases in the General Fund, which are discussed on page 34.

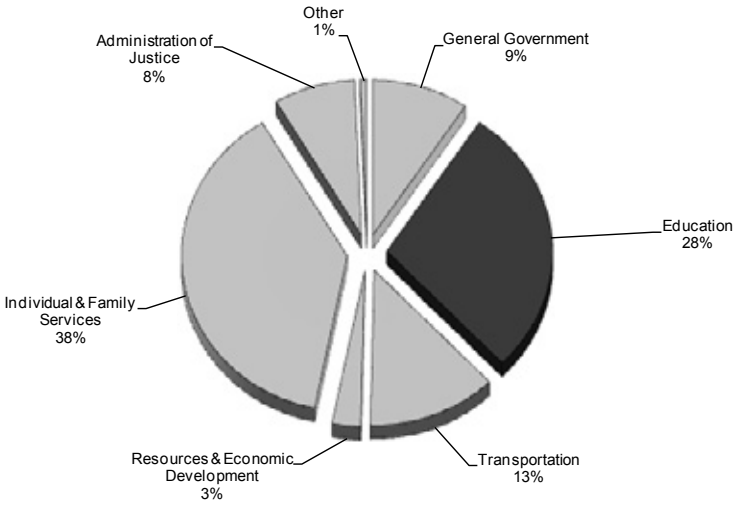
Figure 13
Revenues by Source – Governmental Activities
Fiscal Year 2015



Governmental Activities Expenses

Figure 14 is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by $1.3 billion, or 3.6 percent. This change is primarily attributable to decreases in all expense types with the exception of Education and Transportation. See pages 34 and 35 for additional information.

Figure 14
Expenses by Type – Governmental Activities
Fiscal Year 2015



Net Position of Business-type Activities

Net position of business-type activities increased by $303.0 million during the fiscal year. As shown in **Figure 15**, highlights of the changes in net position for the major enterprise funds were as follows:

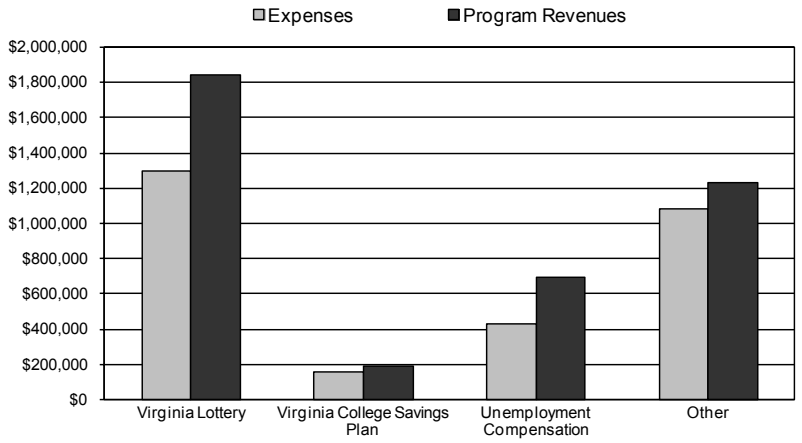
- Lottery sales were $1.8 billion, an increase of $33.1 million over the prior year. Net income was $545.5 million, a decrease of $621,623 (0.1 percent) from fiscal year 2014. Sales of scratch games increased by $29.9 million (3.0 percent) and online sales increased by $3.2 million (0.4 percent). This is offset by an increase of $33.4 million (2.6 percent) in total expenses, primarily attributable to the cost of prizes and claims.

- Virginia College Savings Plan's net position increased by $32.2 million (6.3 percent) during the fiscal year. Although the investment income decreased from the prior year, total revenues still exceeded the increased expenses incurred during fiscal year 2015.

- Unemployment Compensation Fund net position increased by $259.1 million during fiscal year 2015, primarily as a result of a decrease in benefit claims. Operating expenses decreased by $104.3 million. These factors combined give the Trust Fund the large increase.

  Over the one year period from July 1, 2014, to June 30, 2015, the unemployment rate declined from 5.2 percent to 4.9 percent. Additionally, there were approximately 51,270 fewer initial unemployment claims filed than in the previous year. These declines were accompanied by decreases in the average weekly benefit amounts from approximately $290.9 to $290.0 in fiscal year 2015 and decreases in the average benefit duration from 16.3 weeks to 16.0 weeks in fiscal year 2015. These multiple influences led to a decrease in the total benefit payments of $104.3 million over the prior year.

Figure 15
Business-type Activities
Program Revenues and Expenses
Fiscal Year 2015
(Dollars in Thousands)



Fund Statements Financial Analysis

As of the end of the fiscal year, the primary government's governmental funds reported combined ending fund balances of $4.3 billion, including a negative unassigned fund balance of $713.1 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 $848.4 million, an increase of $218.7 million in comparison with the prior year. Of this total fund balance, $120.0 million represents nonspendable fund balance, $1.1 billion represents restricted fund balance, and $295.7 million represents committed fund balance. These amounts are offset by a negative $653.4 million unassigned fund balance.

Fiscal year 2015 General Fund revenues were 3.5 percent, or $642.6 million, higher than fiscal year 2014 revenues. This revenue change results from increases of $762.2 million primarily attributable to individual and fiduciary income taxes ($590.0 million), sales and use taxes ($94.4 million), deeds, contracts, wills and suits taxes ($35.4 million) and corporation income taxes ($22.4 million) offset by decreases of $119.6 million primarily attributable to interest, dividends, and rents ($50.3 million), other revenue primarily relating to expenditure recoveries from prior years ($34.9 million), and premiums of insurance companies taxes ($14.0 million).

Fiscal year 2015 expenditures increased by 2.6 percent, or $483.4 million, when compared to fiscal year 2014. This was primarily attributable to increases in individual and family services, education, general government, and administration of justice expenditures of $262.4 million, $161.6 million, $30.2 million, and $24.6 million, respectively. Net other financing sources and uses increased by $67.8 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 $943.0 million, or 5.2 percent, higher than the final fiscal year 2014 revenue budget. Additionally, the final revenue budget was slightly lower ($624.4 million or 3.3 percent) than the original budget. The change between the original and final budget was primarily attributable to decreases in the final budget for individual and fiduciary income taxes of $533.6 million and other revenue primarily relating to expenditure recoveries from prior years of $80.4 million due to revised economic forecasts. This was offset by increases in the final budget for premiums of insurance companies taxes of $29.6 million and corporation income taxes of $24.3 million. Total actual General Fund revenues were higher than final budgeted revenues by $531.1 million due to stronger than anticipated collections.

Total final budget expenditures were lower than original budget expenditures by $560.8 million, or 2.8 percent. This decrease was primarily attributable to budgeted expenditures for general government of $561.4 million, individual and family services of $96.0 million, and education of $22.4 million, offset in part by increases in resources and economic development of $56.8 million and administration of justice of $52.7 million.

The Commonwealth spent less than planned so actual expenditures were $272.3 million, or 1.4 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 the national level. Data regarding the primary economic indicators – jobs and new housing units provide some improvement. The unemployment rate has decreased from the previous fiscal year while housing indicators show mixed results. During fiscal year 2015 the two General Fund revenue sources most closely tied to current economic activity – individual income taxes and retail sales taxes – experienced increases when compared to the 2014 collections by $1.1 billion (9.6 percent) and $169.0 million (5.5 percent), respectively. The individual income tax collections and retail sales taxes were more than the estimated revenue by $512.4 million (4.3 percent) and $17.6 million (0.5 percent), respectively. These increases resulted in a strong performance during the second half of the fiscal year.

Although the fiscal year 2015 revenue collections compared to fiscal year 2014 showed improvements over the estimate, the fiscal year 2016 General Fund Revenue estimate calls for a decline of 0.1 percent when compared to the fiscal year 2015 collections. This planned reduction reflects continued uncertainty related to federal spending cuts and concerns in the global market. The Governor will release his amendments to the 2016-2017 biennial budget on December 17, 2015.

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $2.3 billion. Approximately $3.9 billion is contractually committed for various highways, public transportation, and rail preservation projects (see Note 20). Additionally, revenues and expenditures increased $434.1 million, or 8.7 percent, and $284.1 million, or 5.5 percent, respectively. The revenue increase was primarily due to increases in tax collection of $332.4 million or 11.2 percent and in other revenue of $68.5 million or 49.7 percent. Expenditures increased mainly for highway maintenance, acquisition, and construction.

The Federal Trust Fund balance decreased by $19.8 million, or 14.7 percent primarily due to a significant decrease in fines and forfeitures of $89.4 million, or 93.7 percent, and a decrease in other revenue of $32.1 million or 22.4 percent, offset by an increase in Federal Grants and Contracts revenue of approximately $25.3 million and a decrease in expenditures of $60.1 million. This change in the Federal Grants and Contracts revenue was mainly attributed to an increase in Medicaid funding ($156.8 million), child and family assistance ($61.8 million), and public safety ($12.7 million), offset by decreases of American Recovery and Reinvestment Act revenue ($21.6 million), unemployment insurance ($78.8 million), food and home energy assistance programs ($97.4 million), and education grants ($28.5 million). The remaining difference is distributed over many other federal programs. Net other financing sources and uses decreased by $10.9 million, or 89.4 percent primarily attributable to lower transfers in from other funds.

The Literary Fund ended the year with a deficit net position of $37.5 million and a fund balance decrease of $51.0 million, or 378.2 percent. These decreases resulted from both operating results and accruals. The net disbursements exceeded net receipts by $63.4 million, offset by a cash transfer in of $12.4 million representing unclaimed prizes from the Virginia Lottery (major enterprise). Additionally, loans of $185.9 million owed to the Virginia Public School Authority (major component unit) exceeded the cash and accrued receivables at year end.

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, 2015, amounts to $29.4 billion (net of accumulated depreciation totaling $16.4 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 deferred outflows of resources offset by increases in total liabilities and deferred inflows of resources resulted in an increase in net position of the governmental activities of $868.1 million, or 4.7 percent. The increase in the primary government's net investment in capital assets was primarily attributable to increases in infrastructure of $1.2 billion offset by decreases in construction-in-progress of $90.5 million. These changes are primarily attributable to transportation. The primary government reports equipment with a value of $50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, infrastructure, and intangible assets that have a cost or value greater than $100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 12, Capital Assets.

Figure 16
Capital Assets as of June 30, 2015
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	$ 2,935,504	$ 1,977	$ 2,937,481
Buildings	2,619,679	17,638	2,637,317
Equipment	485,154	12,149	497,303
Water Rights/Easements	69,770	-	69,770
Infrastructure	18,974,616	-	18,974,616
Software	244,070	3,861	247,931
Construction-in-Progress	4,019,090	4,602	4,023,692
Total	$ 29,347,883	$ 40,227	$ 29,388,110

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 $41.9 billion, including total tax-supported debt of $19.8 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 $1.6 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional $877.9 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 2015, the Commonwealth issued $6.4 billion of new debt for various projects. Of this new debt, $1.4 billion was for the primary government and $5.0 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found 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 2015. 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 2013, 2014, and 2015. 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 2013, 2014, and 2015. The current debt limitation for the Commonwealth is $5.8 billion, $17.6 billion, and $17.3 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, 2015
General Obligation Bonds
(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General obligation bonds				
9(b)	$ 642,181	$ -	$ 642,181	$ -
9(c)	33,190	-	33,190	936,857
Total	$ 675,371	$ -	$ 675,371	$ 936,857

New Accounting Standard

The Commonwealth implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, during fiscal year 2015. The new GASB reporting requirements impact the measurement and recognition of pension-related liabilities, deferred outflows of resources, deferred inflows of resources and pension-related expenses in the Commonwealth's financial statements. As a result of these statements, the beginning net position has been restated for the primary government and component units by $2.5 billion and $1.7 billion, respectively, as further discussed in Note 2, "Restatement of Beginning Balances." The following amounts are reported for Net Pension Liability, Deferred Outflows of Resources and Deferred Inflows of Resources in the Commonwealth's financial statements.

	Primary Government	Component Units
Net Pension Liability	$ 4.3 billion	$ 2.5 billion
Deferred Outflows of Resources	438.8 million	252.5 million
Deferred Inflows of Resources	768.7 million	473.1 million

While the above amounts are reported for the first time in fiscal year 2015, it is important to note that the Net Pension Obligation was previously reported in both the financial statements and notes to the financial statements. Further, the Unfunded Actuarially Accrued Liability amounts were previously reported in the notes to the financial statements and Required Supplementary Information. Additional information can be found in Note 13, Deferred Inflows and Deferred Outflows of Resources, and Note 15, Retirement and Pension Systems.

Economic Factors and Review

During fiscal year 2015, the Commonwealth's economy saw continued improvement, although at a slower rate than at the national level. The Commonwealth experienced a lower job growth rate than at the national level (0.8 percent at the state level versus 2.2 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 reached 3.9 percent during fiscal year 2015, compared to 1.3 percent in fiscal year 2014. This is the highest rate in the last three fiscal years. Unemployment in the Commonwealth and at the national level continued to decline during the fiscal year, reaching 4.9 percent and 5.7 percent, respectively. Total taxable sales in the Commonwealth experienced a considerable increase of 3.9 percent over fiscal year 2014. Economic indicators show that during fiscal year 2015, the housing market in the Commonwealth continued to decline while the national level experienced a slight increase. Additionally, housing prices in the Commonwealth again showed a positive change for fiscal year 2015, with an increase of approximately 2.5 percent, compared to just over 5.0 percent at the national level. Fiscal year 2015 indicates that the Commonwealth's economy will continue to improve; however, because of its dependence on federal government spending measures, the Commonwealth's economy may experience some economic unpredictability in the coming fiscal year.

Requests for Information

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

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

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Government-wide Financial Statements

Statement of Net Position

June 30, 2015
(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents (Notes 1 and 6)	$ 3,171,586	$ 1,106,520	$ 4,278,106	$ 2,588,542
Investments (Notes 1 and 6)	1,854,522	2,499,354	4,353,876	13,709,567
Receivables, Net (Notes 1 and 7)	3,071,450	525,378	3,596,828	12,555,512
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	380,944
Internal Balances (Note 1)	(62,763)	62,763	-	-
Due from Primary Government (Note 9)	-	-	-	12,297
Due from Component Units (Note 9)	21,055	-	21,055	143,170
Due from External Parties (Fiduciary Funds) (Note 9)	273	-	273	-
Inventory (Note 1)	157,835	68,089	225,924	129,934
Prepaid Items (Note 1)	114,152	2,119	116,271	139,024
Other Assets (Notes 1 and 10)	4,763	279	5,042	101,883
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	185,850
Loans Receivable from Component Units (Notes 1 and 9)	18,992	-	18,992	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	892,216	135,458	1,027,674	2,158,109
Restricted Investments (Notes 6 and 11)	-	25,776	25,776	5,236,533
Other Restricted Assets (Note 11)	-	-	-	277,678
Nondepreciable Capital Assets (Notes 1 and 12)	7,347,105	6,579	7,353,684	2,696,127
Depreciable Capital Assets, Net (Notes 1 and 12)	22,000,778	33,648	22,034,426	14,371,900
Total Assets	38,591,964	4,465,963	43,057,927	54,687,070
Deferred Outflows of Resources (Notes 1, 13, and 14)	507,048	13,438	520,486	702,655
Total Assets and Deferred Outflows of Resources	39,099,012	4,479,401	43,578,413	55,389,725
Liabilities and Deferred Inflows of Resources				
Accounts Payable (Notes 1 and 24)	980,098	56,911	1,037,009	1,188,754
Amounts Due to Other Governments	852,758	7,439	860,197	114,891
Due to Primary Government (Note 9)	-	-	-	21,055
Due to Component Units (Note 9)	12,297	-	12,297	143,170
Due to External Parties (Fiduciary Funds) (Note 9)	24,991	776	25,767	29,352
Unearned Revenue (Note 1)	215,578	3,897	219,475	337,618
Obligations Under Securities Lending Program (Notes 1 and 6)	200,705	103,163	303,868	20,744
Other Liabilities (Notes 1, 14, and 25)	1,548,317	108,994	1,657,311	1,568,180
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	18,992
Loans Payable to Component Units (Notes 1 and 9)	185,850	-	185,850	-
Claims Payable (Notes 1 and 23):				
Due Within One Year	201,236	39,268	240,504	100,864
Due in More Than One Year	568,190	21,843	590,033	41,529
Long-term Liabilities (Notes 1, 21, 22, and 26):				
Due Within One Year	614,979	583,199	1,198,178	1,489,788
Due in More Than One Year	11,338,842	2,153,078	13,491,920	25,758,665
Total Liabilities	16,743,841	3,078,568	19,822,409	30,833,602
Deferred Inflows of Resources (Notes 1, 13, 14, and 37)	2,918,314	21,371	2,939,685	580,780
Total Liabilities and Deferred Inflows of Resources	19,662,155	3,099,939	22,762,094	31,414,382

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

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net Position				
Net Investment in Capital Assets	23,406,620	34,519	23,441,139	10,103,074
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	3,196,208
Permanent Funds	34,725	-	34,725	-
Other	-	-	-	159,825
Expendable:				
Agriculture and Forestry	1,573	-	1,573	-
Bond Indenture	-	-	-	2,682,279
Capital Projects/Construction/Capital Acquisition	6,059	-	6,059	1,696,896
Debt Service	44,729	-	44,729	101,253
Economic and Technological Development	2,286	-	2,286	-
Educational and Training Programs	10,522	-	10,522	-
Environmental Quality and Natural Resource Preservation	16,705	-	16,705	-
Gifts and Grants	136,170	-	136,170	141,371
Health and Public Safety	78,711	-	78,711	-
Higher Education	-	-	-	5,714,574
Lottery Proceeds Fund	7,063	-	7,063	-
Permanent Funds	1,447	-	1,447	-
Revenue Stabilization Fund	1,073,289	-	1,073,289	-
Transportation Activities	13,737	-	13,737	-
Unemployment Compensation Trust Fund	-	845,213	845,213	-
Virginia Pooled Investment Program	-	-	-	7,747
Virginia Water Supply Assistance Grant Fund	5,634	-	5,634	-
Other	3,311	-	3,311	10,546
Unrestricted	(5,405,724)	499,730	(4,905,994)	161,570
Total Net Position	$ 19,436,857	$ 1,379,462	$ 20,816,319	$ 23,975,343

Statement of Activities

For the Fiscal Year Ended June 30, 2015
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	$ 3,267,325	$ 297,095	$ 146,717	$ 8,067
Education	9,844,625	545,097	976,277	10,069
Transportation	4,369,089	691,049	59,701	1,585,958
Resources and Economic Development	970,515	378,875	157,730	4,260
Individual and Family Services	13,276,897	365,850	7,543,369	6,060
Administration of Justice	2,751,111	316,548	30,837	4,347
Interest and Charges on Long-term Debt	223,584	-	-	-
Total Governmental Activities	34,703,146	2,594,514	8,914,631	1,618,761
Business-type Activities				
Virginia Lottery	1,299,753	1,843,971	-	-
Virginia College Savings Plan	155,331	187,873	-	-
Unemployment Compensation	431,437	692,602	-	-
Alcoholic Beverage Control	579,945	730,043	183	-
Risk Management	10,240	8,487	-	-
Local Choice Health Care	349,910	343,478	-	-
Route 460 Funding Corporation of Virginia	13,024	-	-	-
Virginia Industries for the Blind	42,722	44,276	-	-
Consolidated Laboratory	8,630	10,107	-	-
eVA Procurement System	22,563	19,445	-	-
Department of Environmental Quality Title V	10,444	10,814	-	-
Wireless E-911	36,804	54,604	-	-
Museum and Library Gift Shops	6,618	7,493	-	-
Behavioral Health Canteen and Work Activity	466	486	-	-
Total Business-type Activities	2,967,887	3,953,679	183	-
Total Primary Government	$ 37,671,033	$ 6,548,193	$ 8,914,814	$ 1,618,761
Component Units				
Virginia Housing Development Authority	$ 423,294	$ 447,436	$ 124,973	$ -
Virginia Public School Authority	141,711	135,924	8,161	-
Virginia Resources Authority	158,410	148,908	-	54,357
Virginia College Building Authority	767,765	74,298	42,255	140
Nonmajor	13,924,995	9,541,330	2,483,700	603,781
Total Component Units	$ 15,416,175	$ 10,347,896	$ 2,659,089	$ 658,278

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (2,815,446)	$ -	$ (2,815,446)	$ -
(8,313,182)	-	(8,313,182)	-
(2,032,381)	-	(2,032,381)	-
(429,650)	-	(429,650)	-
(5,361,618)	-	(5,361,618)	-
(2,399,379)	-	(2,399,379)	-
(223,584)	-	(223,584)	-
(21,575,240)	-	(21,575,240)	-
-	544,218	544,218	-
-	32,542	32,542	-
-	261,165	261,165	-
-	150,281	150,281	-
-	(1,753)	(1,753)	-
-	(6,432)	(6,432)	-
-	(13,024)	(13,024)	-
-	1,554	1,554	-
-	1,477	1,477	-
-	(3,118)	(3,118)	-
-	370	370	-
-	17,800	17,800	-
-	875	875	-
-	20	20	-
-	985,975	985,975	-
(21,575,240)	985,975	(20,589,265)	-
-	-	-	149,115
-	-	-	2,374
-	-	-	44,855
-	-	-	(651,072)
-	-	-	(1,296,184)
-	-	-	(1,750,912)

Continued on next page

Statement of Activities *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2015
(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General Revenues				
Taxes				
Individual and Fiduciary Income	12,265,530	-	12,265,530	-
Sales and Use	4,829,677	-	4,829,677	-
Corporation Income	801,165	-	801,165	-
Motor Fuel	888,348	-	888,348	-
Motor Vehicle Sales and Use	846,197	-	846,197	-
Communications Sales and Use	416,051	-	416,051	-
Deeds, Contracts, Wills, and Suits	440,896	-	440,896	-
Premiums of Insurance Companies	453,376	-	453,376	-
Alcoholic Beverage Sales	139,832	-	139,832	-
Tobacco Products	178,954	-	178,954	-
Estate	92	-	92	-
Public Service Corporations	118,849	-	118,849	-
Beer and Beverage Excise	42,719	-	42,719	-
Wine and Spirits/ABC Liter	26,253	-	26,253	-
Bank Stock	19,030	-	19,030	-
Other Taxes	112,368	9,142	121,510	-
Operating Appropriations from Primary Government	-	-	-	2,101,484
Unrestricted Grants and Contributions	48,613	-	48,613	93,289
Investment Earnings	15,970	1,603	17,573	374,962
Miscellaneous	205,625	243	205,868	104,383
Special Item (Note 31)	(134,561)	34,437	(100,124)	-
Transfers	728,371	(728,371)	-	-
Contributions to Permanent and Term Endowments	-	-	-	154,108
Total General Revenues, Special Item, Transfers, and Contributions	22,443,355	(682,946)	21,760,409	2,828,226
Change in Net Position	868,115	303,029	1,171,144	1,077,314
Net Position, July 1, as restated (Note 2)	18,568,742	1,076,433	19,645,175	22,898,029
Net Position, June 30	$ 19,436,857	$ 1,379,462	$ 20,816,319	$ 23,975,343

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

The Federal Trust Fund accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, certain Medicaid reimbursements recorded in the General Fund, 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. While the entire fund is constitutionally restricted for public schools, the accrued liabilities exceed the accrued assets on the modified accrual basis at June 30.

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 199 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2015
(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents (Notes 1 and 6)	$ 117,029	$ 1,838,023	$ 159,085	$ 9,241
Investments (Notes 1 and 6)	1,797,355	2,219	107	31
Receivables, Net (Notes 1 and 7)	1,705,714	398,308	727,723	159,122
Due from Other Funds (Note 9)	18,874	-	2,778	-
Due from Component Units (Note 9)	1,118	-	-	-
Due from External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	41,838	76,563	15,791	-
Prepaid Items (Note 1)	78,209	8,983	1,420	-
Other Assets (Notes 1 and 10)	970	414	1,625	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	-	544,816	-	-
Total Assets	3,761,107	2,869,326	908,529	168,394
Deferred Outflows of Resources (Notes 1 and 13)	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 3,761,107	$ 2,869,326	$ 908,529	$ 168,394
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Accounts Payable (Notes 1 and 24)	$ 280,264	$ 328,993	$ 123,686	$ 21
Amounts Due to Other Governments	427,398	45,357	226,667	-
Due to Other Funds (Note 9)	29,929	14,598	9,069	-
Due to Component Units (Note 9)	75	-	4,089	-
Due to External Parties (Fiduciary Funds) (Note 9)	15,909	4,106	2,102	-
Interfund Payable (Note 9)	-	-	7,094	-
Unearned Revenue (Note 1)	-	66,885	26,536	107
Unearned Taxes (Note 1)	73,199	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	120,538	63,540	3,056	883
Other Liabilities (Notes 1 and 25)	1,051,130	1,175	336,886	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	185,850
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	1,603	122	121	-
Total Liabilities	2,000,045	524,776	739,306	186,861
Deferred Inflows of Resources (Notes 1 and 13)	912,706	73,443	53,787	19,011
Total Liabilities and Deferred Inflows of Resources	2,912,751	598,219	793,093	205,872
Fund Balances (Note 3):				
Nonspendable	120,047	85,546	17,211	-
Restricted	1,085,986	544,980	98,225	-
Committed	295,738	1,662,763	-	-
Assigned	-	-	-	-
Unassigned	(653,415)	(22,182)	-	(37,478)
Total Fund Balances (Deficit), (Note 4)	848,356	2,271,107	115,436	(37,478)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,761,107	$ 2,869,326	$ 908,529	$ 168,394

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 933,685	$ 3,057,063
54,576	1,854,288
71,590	3,062,457
9,686	31,338
-	1,118
71	71
122,763	122,763
5,335	139,527
19,741	108,353
1,751	4,760
18,992	18,992
-	544,816
1,238,190	8,945,546
-	-
$ 1,238,190	$ 8,945,546
$ 57,981	$ 790,945
475	699,897
6,019	59,615
21	4,185
2,529	24,646
-	7,094
6,413	99,941
-	73,199
5,989	194,006
3,497	1,392,688
-	185,850
325	2,171
83,249	3,534,237
34,986	1,093,933
118,235	4,628,170
59,720	282,524
450,212	2,179,403
581,177	2,539,678
28,846	28,846
-	(713,075)
1,119,955	4,317,376
$ 1,238,190	$ 8,945,546

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

June 30, 2015
(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)	$	4,317,376
When capital assets (land, buildings, equipment, construction-in-progress, intangible assets, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the primary government as a whole.		
Nondepreciable Capital Assets		7,294,715
Depreciable Capital Assets		21,907,066
Deferred outflows associated with pension related costs are long-term in nature and therefore not reported in the funds.		419,929
Deferred outflows associated with loss on debt refundings are long-term in nature and therefore not reported in the funds.		81,643
Long-term liabilities applicable to the primary government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Pension Liability		(4,072,715)
OPEB Liability		(643,668)
Capital Leases		(37,177)
Installment Purchases		(81,899)
Compensated Absences		(303,959)
Uninsured Employer's Fund		(33,156)
Bonds		(6,587,140)
Notes		(307)
Accrued Interest Payable		(80,324)
Other Obligations		(52,478)
Pollution Remediation Liability		(11,954)
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.		(469,592)
Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.		(396,297)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,093,934
Deferred inflows associated with Service Concession Arrangements are long-term in nature and therefore not reported in the funds.		(2,170,952)
Deferred inflows associated with pension related costs are long-term in nature and therefore not reported in the funds.		(736,188)
Net position of governmental activities (see Government-wide Statement of Net Position)	$	19,436,857

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, 2015
(Dollars in Thousands)

		Special Revenue		
	General	Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	$ 18,157,864	$ 3,310,694	$ -	$ -
Rights and Privileges	78,745	558,852	-	526
Institutional Revenue	38,148	-	-	-
Interest, Dividends, Rents, and Other Investment Income	42,120	20,644	720	12,651
Federal Grants and Contracts	6,414	1,326,091	8,394,672	-
Other (Note 27)	463,215	206,368	117,381	373,086
Total Revenues	18,786,506	5,422,649	8,512,773	386,263
Expenditures				
Current:				
General Government	2,259,292	74,273	143,931	21
Education	7,936,593	1,089	964,002	449,638
Transportation	836	5,327,222	14,355	-
Resources and Economic Development	414,083	10,970	160,976	-
Individual and Family Services	5,766,031	-	7,172,706	-
Administration of Justice	2,567,243	9,632	41,030	-
Capital Outlay	6,722	15,419	12,376	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	18,950,800	5,438,605	8,509,376	449,659
Revenues Over (Under) Expenditures	(164,294)	(15,956)	3,397	(63,396)
Other Financing Sources (Uses)				
Transfers In (Note 32)	844,391	76,502	2,334	12,445
Transfers Out (Note 32)	(466,765)	(381,202)	(25,593)	-
Notes Issued	433	-	-	-
Insurance Recoveries	65	46	3	-
Capital Leases Issued	-	51	33	-
Bonds Issued	-	274,980	-	-
Premium on Debt Issuance	-	26,013	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	4,889	19,438	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	383,013	15,828	(23,223)	12,445
Net Change in Fund Balances	218,719	(128)	(19,826)	(50,951)
Fund Balance, July 1, as restated (Note 2)	629,637	2,271,235	135,262	13,473
Fund Balance (Deficit), June 30 (Note 4)	$ 848,356	$ 2,271,107	$ 115,436	$ (37,478)

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 88,664	$ 21,557,222
339,900	978,023
264,484	302,632
14,572	90,707
-	9,727,177
354,177	1,514,227
1,061,797	34,169,988
66,664	2,544,181
20,624	9,371,946
5,646	5,348,059
343,117	929,146
482,513	13,421,250
71,919	2,689,824
216,912	251,429
441,100	441,100
275,492	275,492
1,923,987	35,272,427
(862,190)	(1,102,439)
770,452	1,706,124
(98,296)	(971,856)
6,921	7,354
591	705
154	238
395,590	670,570
123,726	149,739
535,640	535,640
107	24,434
(617,667)	(617,667)
1,117,218	1,505,281
255,028	402,842
864,927	3,914,534
$ 1,119,955	$ 4,317,376

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, 2015
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)	$	402,842
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.		
Nondepreciable Capital Assets Constructed/Acquired		2,111,401
Nondepreciable Capital Assets Disposed		(158,166)
Depreciable Capital Assets Acquired		889,710
Depreciable Capital Assets Disposed		(389,290)
Depreciation Expense		(1,036,573)
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		(670,570)
Capital Lease Proceeds		(238)
Bond Premiums		(149,739)
Refunding Bonds Issued		(535,640)
Installment Purchase Proceeds		(7,354)
Other		(35)
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		441,100
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.		617,667
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(593,183)
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		64,122
Increase in OPEB Liability		(84,397)
Increase in Other Long-term Liabilities		2,224
Increase in Compensated Absences		10,380
Decrease in Interest Expense, Amortization of Long-term Debt premium and discounts, and Accrued Interest Liability		66,785
Decrease in Other Liabilities		(134,251)
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.		(46,725)
Net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.		39,300
Deferred inflows and outflows associated with pension costs are not included in the funds.		3,978
Amortization of deferred inflows and outflows associated with Service Concession Arrangements are not included in the funds.		24,767
Change in net position of governmental activities (See Government-wide Statement of Activities)	$	868,115

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

Proprietary Funds

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

Major Enterprise Funds

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

The Virginia College Savings Plan administers the Virginia529 prePAID Program, which is a defined benefit program that offers contracts, for actuarially determined amounts, that provide for full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions. The fund accounts for the actuarially determined contributions and payments for approved expenses.

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

Internal Service Funds include those operations of state agencies which are listed on page 227 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Fund Net Position – Proprietary Funds

June 30, 2015
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Assets and Deferred Outflows of Resources				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 6)	$ 98,964	$ 83,351	$ 762,607	$ 161,598
Investments (Notes 1 and 6)	21,538	-	-	130
Receivables, Net (Notes 1 and 7)	72,343	69,378	127,812	96,428
Due from Other Funds (Note 9)	-	-	682	733
Due from External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due from Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	2,158	-	-	65,931
Prepaid Items (Note 1)	318	172	-	1,629
Other Assets (Notes 1 and 10)	1	-	-	120,391
Restricted Cash and Cash Equivalents (Note 11)	-	-	-	135,458
Restricted Investments (Note 11)	-	-	-	25,776
Total Current Assets	195,322	152,901	891,101	608,074
Noncurrent Assets:				
Investments (Notes 1 and 6)	118,158	2,359,528	-	-
Receivables, Net (Notes 1 and 7)	-	159,417	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	6,579
Depreciable Capital Assets, Net (Notes 1 and 12)	6,504	9,143	-	18,001
Total Noncurrent Assets	124,662	2,528,088	-	24,580
Total Assets	319,984	2,680,989	891,101	632,654
Deferred Outflows of Resources (Notes 1, 13, 14, and 15)	2,756	1,067	-	9,615
Total Assets and Deferred Outflows of Resources	322,740	2,682,056	891,101	642,269
Liabilities and Deferred Inflows of Resources				
Current Liabilities:				
Accounts Payable (Notes 1 and 24)	11,965	942	78	43,926
Amounts Due to Other Governments	-	-	5,155	2,284
Due to Other Funds (Note 9)	4,441	64	2,992	15,722
Due to External Parties (Fiduciary Funds) (Note 9)	155	59	-	562
Interfund Payable (Note 9)	-	-	-	37,065
Unearned Revenue (Note 1)	1,967	-	-	1,930
Obligations Under Securities Lending Program (Notes 1 and 6)	99,456	-	-	3,707
Other Liabilities (Notes 1 and 25)	64,093	1,058	37,663	6,180
Claims Payable Due Within One Year (Notes 1 and 23)	-	-	-	39,268
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	19,175	239,900	-	324,124
Total Current Liabilities	201,252	242,023	45,888	474,768
Noncurrent Liabilities:				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 23)	-	-	-	21,843
Long-term Liabilities Due in More Than One Year (Notes 1, 21, and 26)	147,641	1,893,782	-	111,655
Total Noncurrent Liabilities	147,641	1,893,782	-	133,498
Total Liabilities	348,893	2,135,805	45,888	608,266
Deferred Inflows of Resources (Notes 1, 13, 14, and 15)	4,292	1,581	-	15,498
Total Liabilities and Deferred Inflows of Resources	353,185	2,137,386	45,888	623,764
Net Position				
Net Investment in Capital Assets	6,504	3,435	-	24,580
Restricted for Unemployment Compensation	-	-	845,213	-
Unrestricted	(36,949)	541,235	-	(6,075)
Total Net Position (Deficit) (Note 4)	$ (30,445)	$ 544,670	$ 845,213	$ 18,505

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

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

Total	Governmental Activities Internal Service Funds
$ 1,106,520	$ 461,923
21,668	234
365,961	8,993
1,415	52,087
-	202
-	19,340
68,089	18,308
2,119	5,799
120,392	11,061
135,458	-
25,776	-
1,847,398	577,947
2,477,686	-
159,417	-
6,579	52,390
33,648	93,712
2,677,330	146,102
4,524,728	724,049
13,438	5,475
4,538,166	729,524
56,911	82,687
7,439	889
23,219	2,006
776	345
37,065	18,524
3,897	116,142
103,163	6,699
108,994	1,217
39,268	201,236
583,199	10,161
963,931	439,906
-	60,080
21,843	568,190
2,153,078	118,248
2,174,921	746,518
3,138,852	1,186,424
21,371	11,173
3,160,223	1,197,597
34,519	106,581
845,213	-
498,211	(574,654)
$ 1,377,943	$ (468,073)
1,519	
$ 1,379,462	

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

For the Fiscal Year Ended June 30, 2015
(Dollars in Thousands)

	Business-type Activities Enterprise Funds		
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation
Operating Revenues			
Charges for Sales and Services	$ 1,843,876	$ 160,367	$ 680,122
Interest, Dividends, Rents, and Other Investment Income	-	27,506	12,531
Other (Note 27)	-	-	-
Total Operating Revenues	1,843,876	187,873	692,653
Operating Expenses			
Cost of Sales and Services	133,230	-	-
Prizes and Claims (Note 28)	1,104,203	-	431,420
Tuition Benefits Expense	-	135,063	-
Personal Services	27,626	9,263	-
Contractual Services	29,083	8,801	-
Supplies and Materials	527	43	-
Depreciation	3,117	527	-
Rent, Insurance, and Other Related Charges	1,791	144	-
Interest Expense	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other (Note 29)	-	1,284	-
Total Operating Expenses	1,299,577	155,125	431,420
Operating Income	544,299	32,748	261,233
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	859	-	-
Other (Note 30)	321	(182)	(51)
Total Nonoperating Revenues (Expenses)	1,180	(182)	(51)
Income Before Special Item and Transfers	545,479	32,566	261,182
Special Item (Note 31)	-	-	-
Transfers In (Note 32)	-	-	-
Transfers Out (Note 32)	(546,181)	(337)	(2,042)
Change in Net Position	(702)	32,229	259,140
Total Net Position (Deficit), July 1, as restated (Note 2)	(29,743)	512,441	586,073
Total Net Position (Deficit), June 30 (Note 4)	$ (30,445)	$ 544,670	$ 845,213

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

Change in Net Position of business-type activities

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

Nonmajor	Total	Governmental Activities Internal Service Funds
$ 1,209,240	$ 3,893,605	$ 2,014,248
-	40,037	-
19,284	19,284	-
1,228,524	3,952,926	2,014,248
415,366	548,596	58,683
336,049	1,871,672	1,314,498
-	135,063	-
129,992	166,881	52,778
69,649	107,533	419,470
39,326	39,896	9,199
3,514	7,158	17,217
32,886	34,821	77,307
-	-	8
34,347	34,347	-
6,945	8,229	20,102
1,068,074	2,954,196	1,969,262
160,450	998,730	44,986
1,730	2,589	1,268
(3,619)	(3,531)	(1,882)
(1,889)	(942)	(614)
158,561	997,788	44,372
34,437	34,437	-
57	57	5,293
(179,868)	(728,428)	(11,190)
13,187	303,854	38,475
5,318	1,074,089	(506,548)
$ 18,505	$ 1,377,943	$ (468,073)

(825)
$ 303,029

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2015
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Cash Flows from Operating Activities				
Receipts for Sales and Services	$ 1,844,350	$ 166,248	$ 706,661	$ 1,208,993
Receipts from Investments	-	-	12,531	-
Internal Activity-Receipts from Other Funds	-	-	5,257	8,970
Internal Activity-Payments to Other Funds	-	(404)	-	(2,380)
Payments to Suppliers for Goods and Services	(135,264)	(1,587)	-	(488,266)
Payments for Contractual Services	(21,341)	(8,282)	-	(69,973)
Payments for Prizes, Claims, and Loss Control (Note 35)	(1,137,625)	-	(447,855)	(339,087)
Payments for Tuition Benefits	-	(158,393)	-	-
Payments to Employees	(27,003)	(8,996)	-	(130,372)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(43,044)
Payments for Interest	-	-	-	-
Other Operating Revenue (Note 35)	-	(593)	45	6,056
Other Operating Expense (Note 35)	-	(134)	-	(5,421)
Net Cash Provided by Operating Activities	523,117	(12,141)	276,639	145,476
Cash Flows from Noncapital Financing Activities				
Transfers In from Other Funds	-	-	-	57
Transfers Out to Other Funds	(569,977)	(337)	(1,738)	(383,764)
Other Noncapital Financing Receipt Activities (Note 35)	499	-	25	251,556
Other Noncapital Financing Disbursement Activities (Note 35)	-	-	-	(26,693)
Net Cash Used for Noncapital Financing Activities	(569,478)	(337)	(1,713)	(158,844)
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(2,681)	(112)	-	(10,833)
Payment of Principal and Interest on Bonds and Notes	-	(547)	-	(11,726)
Proceeds from Sale of Capital Assets	(67)	-	-	3
Other Capital and Related Financing Disbursement Activities (Note 35)	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	(2,748)	(659)	-	(22,556)
Cash Flows from Investing Activities				
Purchase of Investments	(578)	(1,605,458)	-	-
Proceeds from Sales or Maturities of Investments	23,798	1,527,588	-	10,285
Investment Income on Cash, Cash Equivalents, and Investments	681	113,737	-	1,364
Net Cash Provided by (Used for) Investing Activities	23,901	35,867	-	11,649
Net Increase (Decrease) in Cash and Cash Equivalents	(25,208)	22,730	274,926	(24,275)
Cash and Cash Equivalents, July 1	28,191	60,621	487,681	317,963
Cash and Cash Equivalents, June 30	$ 2,983	$ 83,351	$ 762,607	$ 293,688
Reconciliation of Cash and Cash Equivalents				
Per the Statement of Net Position:				
Cash and Cash Equivalents	$ 98,964	$ 83,351	$ 762,607	$ 161,598
Restricted Cash and Cash Equivalents	-	-	-	135,458
Cash and Travel Advances	1	-	-	209
Less:				
Securities Lending Cash Equivalents	(95,982)	-	-	(3,577)
Cash and Cash Equivalents per the Statement of Cash Flows	$ 2,983	$ 83,351	$ 762,607	$ 293,688

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

Total	Governmental Activities Internal Service Funds
$ 3,926,252	$ 754,514
12,531	-
14,227	1,242,533
(2,784)	(10,520)
(625,117)	(139,593)
(99,596)	(392,205)
(1,924,567)	(1,294,554)
(158,393)	-
(166,371)	(52,798)
(43,044)	-
-	(8)
5,508	-
(5,555)	(21,137)
933,091	86,232
57	5,293
(955,816)	(11,110)
252,080	153
(26,693)	(1,900)
(730,372)	(7,564)
(13,626)	(4,538)
(12,273)	(14,381)
(64)	1,502
-	(632)
(25,963)	(18,049)
(1,606,036)	-
1,561,671	-
115,782	1,140
71,417	1,140
248,173	61,759
894,456	393,702
$ 1,142,629	$ 455,461
$ 1,106,520	$ 461,923
135,458	
210	3
(99,559)	(6,465)
$ 1,142,629	$ 455,461

Continued on next page

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

For the Fiscal Year Ended June 30, 2015
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Reconciliation of Operating Income To Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	$ 544,299	$ 32,748	$ 261,233	$ 160,450
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	3,117	527	-	3,514
Interest, Dividends, Rents, and Other Investment Income	(6,749)	(27,506)	-	-
Miscellaneous Nonoperating Income	-	-	(380)	13
Other	-	222	-	(7,997)
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources				
(Increase) Decrease in Accounts Receivable	1,021	5,288	13,910	(3,300)
(Increase) Decrease in Due from Other Funds	-	-	594	119,823
(Increase) Decrease in Due from External Parties (Fiduciary Funds)	-	-	-	-
(Increase) Decrease in Due from Component Units	-	-	-	-
(Increase) Decrease in Other Assets	-	21	-	(120,182)
(Increase) Decrease in Inventory	(2,034)	-	-	(3,743)
(Increase) Decrease in Prepaid Items	(46)	(126)	-	843
(Increase) Decrease in Deferred Outflows of Resources	(1,281)	(524)		(3,428)
Increase (Decrease) in Accounts Payable	(2,217)	(354)	(112)	(6,784)
Increase (Decrease) in Amounts Due to Other Governments	-	-	(945)	1,370
Increase (Decrease) in Due to Other Funds	21	3	153	2,463
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	36	15	-	91
Increase (Decrease) in Unearned Revenue	(548)	-	-	(259)
Increase (Decrease) in Other Liabilities	2,116	843	2,186	(25)
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	(2,656)
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	596
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(5,321)	15,032	-	(44)
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(13,589)	(39,911)	-	(10,767)
Increase (Decrease) in Deferred Inflows of Resources	4,292	1,581		15,498
Net Cash Provided by (Used for) Operating Activities	$ 523,117	$ (12,141)	$ 276,639	$ 145,476
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the Statement of Net Position date:				
Capital Leases Used to Finance Capital Assets	$ -	$ -	$ -	$ -
Installment Purchases Used to Finance Capital Assets	-	-	-	-
Change in Fair Value of Investments	-	86,230	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ 86,230	$ -	$ -

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

	Governmental Activities
Total	Internal Service Funds
$ 998,730	$ 44,986
7,158	17,217
(34,255)	-
(367)	30
(7,775)	(80)
16,919	502
120,417	4,064
-	(8)
-	(1,733)
(120,161)	(7,947)
(5,777)	(1,162)
671	(760)
(5,233)	(1,771)
(9,467)	24,049
425	(2,733)
2,640	314
142	38
(807)	(10,450)
5,120	365
(2,656)	(5,872)
596	25,815
9,667	857
(64,267)	(10,662)
21,371	11,173
$ 933,091	$ 86,232
$ -	$ 9,067
-	8,666
86,230	-
-	1,786
$ 86,230	$ 19,519

Fiduciary Funds

Private Purpose Trust Funds

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

Pension and Other Employee Benefit Trust Funds

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

Investment Trust Fund

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

Agency Funds

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

A listing of all Fiduciary Funds is located on pages 236-237 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 238.

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2015
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents (Notes 1 and 6)	$ 83,595	$ 297,567	$ 1,163,404	$ 378,542
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	88,834	21,012,652	38,229	-
Stocks	342,974	23,695,874	-	-
Fixed Income Commingled Funds	-	745,010	-	-
Index and Pooled Funds	1,592,316	6,978,380	-	-
Real Estate	2,246	6,983,580	-	-
Private Equity	-	8,154,219	-	-
Mutual and Money Market Funds	843,587	-	-	-
Short-term Investments	-	288,384	1,525,541	70,009
Hybrid Defined Contribution Investments	-	23,346	-	-
Other	661,086	3,378,240	-	319,451
Total Investments	3,531,043	71,259,685	1,563,770	389,460
Receivables, Net (Notes 1 and 7):				
Accounts	6	-	-	58,210
Contributions	-	243,323	-	-
Interest and Dividends	2,174	224,154	755	-
Security Transactions	-	1,450,934	-	-
Other Receivables	-	188,069	-	-
Total Receivables	2,180	2,106,480	755	58,210
Due from Other Funds (Note 9)	-	20	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	25,767	-	-
Due from Component Units (Note 9)	-	29,352	-	-
Prepaid Items (Note 1)	236	-	-	-
Other Assets (Notes 1 and 10)	-	-	-	26
Furniture and Equipment (Note 1)	618	29,889	-	-
Total Assets	3,617,672	73,748,760	2,727,929	826,238
Deferred Outflow of Resources (Notes 1, 13, 14, and 15)	448	-	-	-
Total Assets and Deferred Outflows of Resources	3,618,120	73,748,760	2,727,929	826,238
Liabilities and Deferred Inflows of Resources				
Accounts Payable and Accrued Expenses (Notes 1 and 24)	2,864	44,213	-	6,102
Amounts Due to Other Governments	-	-	-	256,309
Due to Other Funds (Note 9)	20	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	26	176	-	71
Obligations Under Securities Lending Program (Notes 1 and 6)	188	3,378,981	-	380
Other Liabilities (Notes 1 and 25)	3,786	307,834	-	563,069
Retirement Benefits Payable	-	324,173	-	-
Refunds Payable	-	4,148	-	-
Compensated Absences Payable (Notes 1 and 21)	280	2,819	-	-
Insurance Premiums and Claims Payable	-	64,072	-	307
Payable for Security Transactions	-	1,424,730	-	-
Net Pension Liability	3,288	-	-	-
Other Postemployment Benefits (OPEB) Liability	590	-	-	-
Total Liabilities	11,042	5,551,146	-	826,238
Deferred Inflows of Resources (Notes 1, 13, 14, and 15)	587	-	-	-
Total Liabilities and Deferred Inflows of Resources	11,629	5,551,146	-	826,238
Net Position Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes	$ 3,606,491	$ 68,197,614	$ 2,727,929	$ -

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, 2015
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ 59,425	$ 3,400,718	$ 2,197
Distributions to Shareholders from Net Investment Income	-	-	(2,197)
Total Investment Income	59,425	3,400,718	-
Less Investment Expenses	4,413	402,089	-
Net Investment Income	55,012	2,998,629	-
Proceeds from Unclaimed Property	10,499	-	-
Contributions:			
Participants	402,333	-	-
Member	-	961,042	-
Employer	-	2,676,817	-
Total Contributions	402,333	3,637,859	-
Shares Sold	-	-	4,134,434
Reinvested Distributions	-	-	2,248
Other Revenue (Note 27)	13	2,164	-
Total Additions	467,857	6,638,652	4,136,682
Deductions:			
Loan Servicing Payments	36	-	-
Educational Expense Benefits	168,798	-	-
Retirement Benefits	-	4,115,209	-
Refunds to Former Members	-	106,236	-
Retiree Health Insurance Credits	-	147,989	-
Insurance Premiums and Claims	62,707	183,973	-
Trust Payments	2,836	-	-
Administrative Expenses	9,497	21,861	-
Other Expenses (Note 29)	-	3,913	-
Shares Redeemed	23,151	-	4,136,004
Long-term Disability Benefits	-	37,731	-
Total Deductions	267,025	4,616,912	4,136,004
Transfers:			
Transfers In	-	10	-
Transfers Out	-	(10)	-
Total Transfers	-	-	-
Net Increase	200,832	2,021,740	678
Net Position Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
July 1, as restated (Note 2)	3,405,659	66,175,874	2,727,251
June 30	$ 3,606,491	$ 68,197,614	$ 2,727,929

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

Component Units

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

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

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

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

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

Nonmajor Component Units include those listed on pages 260-261 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Position – Component Units

June 30, 2015
(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority
Assets and Deferred Outflows of Resources			
Cash and Cash Equivalents (Notes 1 and 6)	$ 2,145	$ 19,369	$ 8,141
Investments (Notes 1 and 6)	18,117	3,296,386	4,488
Receivables, Net (Notes 1 and 7)	6,794,866	65,287	4,303,934
Contributions Receivable, Net (Notes 1 and 8)	-	-	-
Due from Primary Government (Note 9)	-	-	-
Due from Component Units (Note 9)	-	-	-
Inventory (Note 1)	-	-	-
Prepaid Items (Note 1)	3,091	-	41
Other Assets (Notes 1 and 10)	9,122	-	393
Loans Receivable from Primary Government (Notes 1 and 9)	-	185,850	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	656,523	154,325	302,989
Restricted Investments (Notes 6 and 11)	508,388	-	370,099
Other Restricted Assets (Note 11)	52,093	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	8,623	-	-
Depreciable Capital Assets, Net (Notes 1 and 12)	17,704	-	113
Total Assets	8,070,672	3,721,217	4,990,198
Deferred Outflows of Resources (Notes 1, 13, 14, and 15)	-	151,715	80,586
Total Assets and Deferred Outflows of Resources	8,070,672	3,872,932	5,070,784
Liabilities and Deferred Inflows of Resources			
Accounts Payable (Notes 1 and 24)	41,203	67	222
Amounts Due to Other Governments	-	108,742	-
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)	521,867	58,331	48,144
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	287,329	291,734	154,205
Due in More Than One Year	4,399,988	3,445,857	3,355,268
Total Liabilities	5,250,387	3,904,731	3,557,839
Deferred Inflows of Resources (Notes 1, 13, 14, 15, and 37)	-	-	29,917
Total Liabilities and Deferred Inflows of Resources	5,250,387	3,904,731	3,587,756
Net Position			
Net Investment in Capital Assets	8,706	-	113
Restricted For:			
Nonexpendable:			
Higher Education	-	-	-
Other	-	-	-
Expendable:			
Bond Indenture	2,682,279	-	-
Capital Projects/Construction/Capital Acquisition	-	-	1,462,097
Debt Service	-	-	-
Gifts and Grants	-	-	-
Higher Education	-	-	-
Virginia Pooled Investment Program	-	-	7,747
Other	-	-	-
Unrestricted	129,300	(31,799)	13,071
Total Net Position (Deficit) (Note 4)	$ 2,820,285	$ (31,799)	$ 1,483,028

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

Virginia College Building Authority	Nonmajor Component Units	Total
$ 47	$ 2,558,840	$ 2,588,542
-	10,390,576	13,709,567
25,184	1,366,241	12,555,512
-	380,944	380,944
4,089	8,208	12,297
-	143,170	143,170
-	129,934	129,934
-	135,892	139,024
-	92,368	101,883
-	-	185,850
167,019	877,253	2,158,109
-	4,358,046	5,236,533
-	225,585	277,678
-	2,687,504	2,696,127
-	14,354,083	14,371,900
196,339	37,708,644	54,687,070
26,191	444,163	702,655
222,530	38,152,807	55,389,725
4	1,147,258	1,188,754
-	6,149	114,891
-	21,055	21,055
135,133	8,037	143,170
-	29,352	29,352
-	337,618	337,618
-	20,744	20,744
80,568	859,270	1,568,180
-	18,992	18,992
-	100,864	100,864
-	41,529	41,529
208,055	548,465	1,489,788
3,312,159	11,245,393	25,758,665
3,735,919	14,384,726	30,833,602
-	550,863	580,780
3,735,919	14,935,589	31,414,382
-	10,094,255	10,103,074
-	3,196,208	3,196,208
-	159,825	159,825
-	-	2,682,279
-	234,799	1,696,896
-	101,253	101,253
-	141,371	141,371
30,665	5,683,909	5,714,574
-	-	7,747
-	10,546	10,546
(3,544,054)	3,595,052	161,570
$ (3,513,389)	$ 23,217,218	$ 23,975,343

Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2015
(Dollars in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
Virginia Housing Development Authority	$ 423,294	$ 447,436	$ 124,973	$ -	$ 149,115
Virginia Public School Authority	141,711	135,924	8,161	-	2,374
Virginia Resources Authority	158,410	148,908	-	54,357	44,855
Virginia College Building Authority	767,765	74,298	42,255	140	(651,072)
Total Major Component Units	1,491,180	806,566	175,389	54,497	(454,728)
Nonmajor Component Units:					
Higher Education	13,022,422	8,843,459	2,449,364	572,236	(1,157,363)
Other	902,573	697,871	34,336	31,545	(138,821)
Total Nonmajor Component Units	13,924,995	9,541,330	2,483,700	603,781	(1,296,184)
Total Component Units	$ 15,416,175	$ 10,347,896	$ 2,659,089	$ 658,278	$ (1,750,912)

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

General Revenues							
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Contributions to Permanent and Term Endowments	Change in Net Position	Net Position (Deficit) July 1, as restated (Note 2)	Net Position (Deficit) June 30 (Note 4)
$ -	$ -	$ 27,579	$ -	$ -	$ 176,694	$ 2,643,591	$ 2,820,285
-	-	119	320	-	2,813	(34,612)	(31,799)
-	-	-	-	-	44,855	1,438,173	1,483,028
285,915	-	-	-	-	(365,157)	(3,148,232)	(3,513,389)
285,915	-	27,698	320	-	(140,795)	898,920	758,125
1,710,512	75,712	334,479	85,843	151,053	1,200,236	19,985,792	21,186,028
105,057	17,577	12,785	18,220	3,055	17,873	2,013,317	2,031,190
1,815,569	93,289	347,264	104,063	154,108	1,218,109	21,999,109	23,217,218
$ 2,101,484	$ 93,289	$ 374,962	$ 104,383	$ 154,108	$ 1,077,314	$ 22,898,029	$ 23,975,343

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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) – 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 Virginia Department of Transportation (VDOT) (primary government) because it is fiscally dependent on the primary government and there is a financial benefit/burden relationship between the primary government and the Corporation. 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. As discussed in Note 31, the continuing operations of the Corporation will cease during fiscal year 2016.

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

GASB statements generally require any organization that raises and holds economic resources for the direct benefit of the reporting

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

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

Discretely presented component units are:

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

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

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

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

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the financial statements. The state-supported colleges and universities reported revenue from the Authority of $513.2 million as Program Revenue Capital Grants and Contributions for the 21st Century Program and $62.2 million as Program Revenue Operating Grants and Contributions for equipment. The Authority reported Operating Appropriations from Primary Government of approximately $285.9 million. In addition, the Authority reported approximately $29.8 million in payments from the state-supported colleges and universities for 21st Century and Equipment Program debt service costs and approximately $12.5 million in interest on Build America Bonds. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the primary government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling $701.6 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. Hicok, Fern & Company CPAs 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. PBMares, LLP, audits the Authority, and a separate report is issued.

Virginia Tourism Authority (nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film

production industries of the Commonwealth. The Governor appoints all of the board members, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East 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 the 2002 Series, the 2013B Series, and the 2013A Series of revenue bonds for specific customers. 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) – Section 2.2-2280 of the *Code of Virginia* established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 101N. 14th Street, 11th Floor, 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.

Science Museum of Virginia Foundation (nonmajor) – The Foundation is a non-stock, nonprofit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). There is a financial benefit/burden relationship between the primary government and the Foundation. 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. The Governor appoints the 9-member board and 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 Commonwealth approved the conversion of a $5.0 million interest-free note to repair Pad 0A into a grant in March 2015. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 303, Norfolk, Virginia 23508. Dixon Hughes Goodman, LLP audits the Authority, and a separate report is issued.

Danville Science Center, Inc. (nonmajor) – The Center is a nonprofit corporation formed for the purpose of implementing and funding those programs, projects and operations which are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). There is a financial benefit/burden to the primary government. 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. There is a financial benefit/burden to the primary government. 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 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 20 Ingalls 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* and the primary government is able to impose its will on the Authority. The Authority manages a fund to provide loans to individuals to acquire assistive technology, other equipment, or other authorized purposes designed to help disabled individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 107, Henrico, Virginia 23229. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

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

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

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

Virginia Health Workforce Development Authority (nonmajor) – The Authority is a legally separate public body corporate and a political subdivision of the Commonwealth created by the General Assembly. The Authority facilitates the development of a statewide health professions pipeline. The Governor appoints a majority of the board members, and the primary government is able to impose its will on the Authority. The administrative offices of the Authority are located at 6800 Paragon Place, Suite 620, 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.

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 component units.

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

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

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

Foundations' (component units) financial statements are prepared using the economic resources measurement focus and the full accrual

basis of accounting. The financial statements are prepared under FASB rather than GASB standards. In some instances, activities of the foundations (component units) are reported separately within the footnotes because of the different reporting standards. Also, some foundations (component units) have a December 31st or March 31st year-end rather than a fiscal year-end. Foundations (component units) with different year-ends are included in these financial statements for the year ending December 31, 2014, or March 31, 2015. 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 $429,925
  - institution revenue of $7.7 million
  - foundation assets of $1.0 million
  - foundation liabilities of $436,727
  - foundation expenses of $7.1 million

- Old Dominion University (nonmajor component unit):
  - institution liabilities of $62.1 million
  - foundation assets of $51.0 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 Virginia529 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, 2015, the General Fund had a negative cash balance of $3.9 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)

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 special revenue) using the FIFO and average cost methodologies and are maintained at either cost or average cost.

In addition to inventories maintained as stated above, the following agencies reported donated inventory balances on hand at June 30, 2015:

- 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 Port Authority (nonmajor component unit), the Hampton Roads Sanitation District Commission (nonmajor component unit), and the Danville Science Center (nonmajor component unit) are reported using the moving average unit cost methodology. Inventories at the gift shop run by the Library of Virginia Foundation (nonmajor component unit) are stated at lower of cost or market using 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 $15.1 million. None of the interest cost incurred this fiscal year was capitalized.

Expenditures are classified as construction-in-progress if:

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

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

The estimated lives of capital assets are as follows:

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

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

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, 14, and 15).

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 fiscal year-end (see Note 24).

Q. Unearned Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2015. 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 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 2015. 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 $928.1 million and estimated underpayments total $863.6 million. This results in unearned taxes of $64.5 million.

Corporate income tax estimated overpayments total $45.4 million and estimated underpayments total $36.7 million. This results in unearned taxes of $8.7 million.

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, 2015. 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, 15, 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 legislative action. The distinction between restricted and committed fund balances is the source and strength of the constraints placed on them. 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 with the General Fund. Additionally, accrued liabilities exceed accrued assets on the modified accrual basis for the Commonwealth Transportation Fund (major special revenue) and Literary Fund (major special revenue) by $22.2 million and $37.5 million, respectively. As there are no assigned balances in these funds to offset the negative fund balance restricted for specific purposes, these amounts are reported as Unassigned Fund Balance.

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 Bureau of the Fiscal Service (BFS) of the U.S. Treasury. If required, the payment is to be made on March 31 of the following year. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the average of the bond equivalent rates of 13-week Treasury Bills auctioned during the annual reporting period as calculated by BFS. There was no payment required as of June 30, 2015.

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:

  - The Commonwealth implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* effective for the fiscal year ended June 30, 2015. This implementation resulted in restatements for the difference between the beginning net pension liability less the beginning deferred outflows of resources for fiscal year 2014 employer contributions and the prior year's net pension obligation under the previous GASB Statement No. 27. Accordingly, the Governmental Activities were restated by $2.4 billion.

  - Capital Asset balances were restated by $9.5 million due to errors that resulted in an understatement of previous balances.

  - The Commonwealth Transportation (major special revenue) balances were restated by $6.5 million due to errors that resulted in an overstatement of prior year liabilities.

- **Business-type Activities**

  - As a result of the implementation of GASB Statement No. 68 and GASB Statement No. 71 discussed previously, Virginia Lottery (major), Virginia College Savings Plan (major), and numerous nonmajor enterprise funds have restated beginning balances by $15.9 million, $5.8 million, and $55.5 million, respectively.

  - The Wireless E-911 Service Board (nonmajor enterprise) beginning balance was restated by $8.2 million due to errors attributable primarily to the overstatement of receivables and the understatement of liabilities.

Fund Statements

The fund statement beginning balance restatements resulted from the following:

- The Commonwealth Transportation (major special revenue) balances were restated by $6.5 million due to errors that resulted in an overstatement of prior year liabilities as discussed previously.

- As a result of the implementation of GASB Statement No. 68 and GASB Statement No. 71 discussed previously, the following funds have been restated:

  - Virginia Lottery (major), Virginia College Savings Plan (major), and numerous nonmajor enterprise funds have restated beginning balances by $15.9 million, $5.8 million, and $55.5 million, respectively.
  - Internal Service funds have been restated by $41.4 million.
  - The Private Purpose Trust Funds have been restated by $2.0 million.

- The Wireless E-911 Service Board (nonmajor enterprise) beginning balance was restated by $8.2 million due to errors attributable primarily to the overstatement of receivables and the understatement of liabilities as discussed previously.

Component Units

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

- As a result of the implementation of GASB Statement No. 68 and GASB Statement No. 71 discussed previously, Virginia Resources Authority (major) and nonmajor component units restated balances by $317,016 and $1.7 billion, respectively.

- The Virginia College Building Authority (major) has restated balances by $8.5 million to reflect the removal of unamortized premiums related to bonds that matured in prior years.

- The University of Virginia (nonmajor) has restated balances by $121.5 million for the inclusion of The College Foundation of the University of Virginia.

- The Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University - nonmajor) has restated balances by $46.1 million for the Community Memorial Hospital affiliation.

- The nonmajor component unit balance has been restated by $8.6 million due to contractual modifications in January 2015 resulting in the removal of the Virginia Horse Center Foundation from the Commonwealth's reporting entity.

- The Virginia Port Authority (nonmajor) has restated balances by $28.7 million due to errors resulting in the understatement of capitalized interest.

- The Hampton Roads Sanitation District Commission (nonmajor) has restated balances by $25.1 million due to errors resulting in the understatement of inventory.

Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2014	GASBS No. 68 Pension-Related Items	Change in Reporting Entity	Correction of Prior Year Errors	Balance June 30, 2014 as restated
Government-wide Activities:					
Primary Government:					
Governmental Activities	$ 20,962,156	$ (2,409,435)	$ -	$ 16,021	$ 18,568,742
Business-type Activities	1,161,822	(77,159)	-	(8,230)	1,076,433
Total Primary Government	$ 22,123,978	$ (2,486,594)	$ -	$ 7,791	$ 19,645,175
Component Units	$ 24,425,826	$ (1,749,089)	$ 158,973	$ 62,319	$ 22,898,029
Fund Statements - Governmental Funds					
Major Governmental Funds:					
General	$ 629,637	$ -	$ -	$ -	$ 629,637
Special Revenue Funds:					
Commonwealth Transportation	2,264,744	-	-	6,491	2,271,235
Federal Trust	135,262	-	-	-	135,262
Literary	13,473	-	-	-	13,473
Nonmajor Governmental Funds	864,927	-	-	-	864,927
Total Governmental Funds	$ 3,908,043	$ -	$ -	$ 6,491	$ 3,914,534
Fund Statements - Proprietary Funds					
Major Enterprise Funds:					
Virginia Lottery	$ (13,850)	$ (15,893)	$ -	$ -	$ (29,743)
Virginia College Savings Plan	518,243	(5,802)	-	-	512,441
Unemployment Compensation	586,073	-	-	-	586,073
Nonmajor Enterprise Funds	69,012	(55,464)	-	(8,230)	5,318
Total Enterprise Funds	$ 1,159,478	$ (77,159)	$ -	$ (8,230)	$ 1,074,089
Internal Service	$ (465,192)	$ (41,356)	$ -	$ -	$ (506,548)
Fiduciary Funds					
Private Purpose Funds	$ 3,407,620	$ (1,961)	$ -	$ -	$ 3,405,659
Pension and Other Employee Benefit Trust Funds	$ 66,175,874	$ -	$ -	$ -	$ 66,175,874
Investment Trust Funds	$ 2,727,251	$ -	$ -	$ -	$ 2,727,251
Fund Statements - Component Units:					
Virginia Housing Development Authority	$ 2,643,591	$ -	$ -	$ -	$ 2,643,591
Virginia Public School Authority	(34,612)	-	-	-	(34,612)
Virginia Resources Authority	1,437,856	317	-	-	1,438,173
Virginia College Building Authority	(3,156,748)	-	-	8,516	(3,148,232)
Nonmajor Component Units	23,535,739	(1,749,406)	158,973	53,803	21,999,109
Total Component Units	$ 24,425,826	$ (1,749,089)	$ 158,973	$ 62,319	$ 22,898,029

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 fund balance for the General Fund (major) is the residual classification. A negative amount indicates that restricted and committed amounts exceed the available modified accrual basis fund balance. Unassigned fund balance for the Commonwealth Transportation Fund (major special revenue) and Literary Fund (major special revenue) indicates that the amounts restricted for specific purposes exceeds the modified accrual basis fund balance available for these specific purposes.

The governmental fund balance classifications and amounts at June 30, 2015, are shown in the following table.

Governmental Fund Balance Classifications

(Dollars in Thousands)

	General Fund	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental	Total
Nonspendable						
Inventory	$ 41,838	$ 76,563	$ 15,791	$ -	$ 5,254	$ 139,446
Prepaid Items	78,209	8,983	1,420	-	19,741	108,353
Permanent Funds	-	-	-	-	34,725	34,725
Total Nonspendable	120,047	85,546	17,211	-	59,720	282,524
Restricted						
Agriculture and Forestry	-	-	-	-	1,573	1,573
Capital Projects/Construction/Capital Acquisition	-	-	-	-	288,127	288,127
Debt Service	-	-	-	-	44,729	44,729
Economic and Technological Development	-	-	-	-	12	12
Educational and Training Programs	-	-	-	-	10,522	10,522
Environmental Quality and Natural Resource Preservation	-	-	-	-	16,704	16,704
Gifts and Grants	-	-	98,225	-	2,211	100,436
Government Operations:						
Legislative Services	-	-	-	-	7	7
Administrative Services	-	-	-	-	3,304	3,304
Health and Public Safety	-	-	-	-	83,023	83,023
Lottery Proceeds Fund	7,063	-	-	-	-	7,063
Revenue Stabilization Fund	1,073,289	-	-	-	-	1,073,289
Transportation Activities	-	544,980	-	-	-	544,980
Virginia Water Supply Assistance Grant Fund	5,634	-	-	-	-	5,634
Total Restricted	1,085,986	544,980	98,225	-	450,212	2,179,403
Committed						
Agriculture and Forestry	66	-	-	-	23,512	23,578
Amount Required for Mandatory Reappropriation	58,543	-	-	-	-	58,543
Amount Required for Reappropriation of 2015 Unexpended Balances for Capital Outlay	21,487	-	-	-	-	21,487
Capital Projects/Construction/Capital Acquisition	543	-	-	-	573	1,116
Central Capital Planning Fund	13,790	-	-	-	-	13,790
Commonwealth's Development Opportunity Fund	23,543	-	-	-	-	23,543
Communications Sales and Use Tax	2,157	-	-	-	-	2,157
Contract and Debt Administration	-	10,285	-	-	1,119	11,404
Economic and Technological Development	32,521	-	-	-	50,556	83,077
Educational and Training Programs	624	1,574	-	-	6,797	8,995
Environmental Quality and Natural Resource Preservation	3,800	-	-	-	102,257	106,057
Federal Action Contingency Trust Fund	437	-	-	-	-	437
Government Operations:						
Legislative Services	-	-	-	-	180	180
Administrative Services	84	-	-	-	80,585	80,669
Health and Public Safety	9,095	3,375	-	-	177,441	189,911
Natural Disaster Sum Sufficient	24,110	-	-	-	-	24,110
Regulatory Oversight	-	-	-	-	131,096	131,096
Transportation Activities	-	1,647,529	-	-	7,061	1,654,590
Virginia Health Care Fund	10,390	-	-	-	-	10,390
Virginia Water Quality Improvement Fund	94,548	-	-	-	-	94,548
Total Committed	295,738	1,662,763	-	-	581,177	2,539,678
Assigned						
Agriculture and Forestry	-	-	-	-	114	114
Economic and Technological Development	-	-	-	-	1,750	1,750
Educational and Training Programs	-	-	-	-	6,734	6,734
Environmental Quality and Natural Resource Preservation	-	-	-	-	8,325	8,325
Health and Public Safety	-	-	-	-	11,923	11,923
Total Assigned	-	-	-	-	28,846	28,846
Unassigned	(653,415)	(22,182)	-	(37,478)	-	(713,075)
Total Fund Balance	$ 848,356	$ 2,271,107	$ 115,436	$ (37,478)	$ 1,119,955	$ 4,317,376

4. DEFICIT FUND BALANCES/NET POSITION

The Literary Fund (major special revenue) ended the year with a deficit fund balance of $37.5 million. The deficit was the result of current year expenditures for teacher retirement and education technology loans exceeding revenue, coupled with the fund accruing loans payable to the Virginia Public School Authority (major component unit) that exceeded the accrued assets on the modified accrual basis.

The Virginia Lottery (major enterprise fund), the Department of Alcoholic Beverage Control (nonmajor enterprise fund), the Department of General Services' Consolidated Laboratory Services Fund (nonmajor enterprise fund), the Department of Environmental Quality's Title V Air Pollution Permit Fund (nonmajor enterprise fund), and the Payroll Service Bureau (internal service fund) ended the year with deficit net positions of $30.4 million, $84.8 million, $146,069, $8.3 million, and $2.2 million, respectively. This was solely attributable to the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

The Risk Management Fund (nonmajor enterprise fund) ended the year with a deficit net position balance of $13.8 million. The deficit was a result of increasing claims liability for constitutional officers' programs.

The Virginia Information Technologies Agency (internal service fund) ended the year with a deficit net position balance of $36.7 million. The deficit was a result of transfers to the General Fund mandated by the Appropriation Act, operating expenses exceeding revenues in previous years, and noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Enterprise Application Fund (internal service fund) ended the year with a deficit net position balance of $4.7 million. This deficit was the result of high capital expenses and significant expenses relating to Phase III of the Cardinal project which were excluded from billing, coupled with noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Property Management Fund (internal service fund) ended the year with a deficit net position balance of $25.8 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. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Risk Management Fund (internal service fund) ended the year with a deficit net position balance of $521.4 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 $31.8 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 $3.5 billion. This deficit occurs because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security. These future appropriations are not included as assets of the Authority.

The Southern Virginia Higher Education Center (nonmajor component unit) ended the year with a deficit net position balance of $547,614. This was solely attributable to the entries for the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The Virginia Economic Development Partnership (nonmajor component unit) ended the year with a deficit net position balance of $11.1 million. This deficit occurs because the partnership's Statement of Net Position reflects $13.0 million in non-current liabilities related to compensated absences, net pension liabilities, and net other postemployment benefit obligation. The Partnership is funded mainly by state appropriations, which show current funding only.

The Virginia Tourism Authority (nonmajor component unit) ended the year with a deficit net position balance of $2.4 million. This deficit occurs because the Authority's Statement of Net Position reflects $7.3 million in non-current liabilities related to compensated absences, net pension liabilities, and net other postemployment benefit obligation.

5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the Constitution of Virginia, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. A deposit of $243.2 million was made during fiscal year 2015 as required by Section 2.2-1829 of the *Code of Virginia*, which includes the advance

reservation of $95.0 million provided in Chapter 2, 2014 Acts of Assembly. Additionally, during fiscal year 2015, in accordance with the provisions of Article X, Section 8 of the Constitution of Virginia and Section 2.2-1830 of the *Code of Virginia*, a withdrawal of $467.7 million was made from the fund. Further, Chapter 665, 2015 Acts of Assembly, authorizes an additional withdrawal estimated at $235.0 million from the fund during fiscal year 2016.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, a deposit of $605.6 million is required during fiscal year 2017 based on fiscal year 2015 revenue collections. This required deposit is included as a restricted component of fund balance and includes the advance reservation of $129.5 million provided in Chapter 665, 2015 Acts of Assembly.

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 2015.

The Revenue Stabilization Fund has principal and interest on deposit of $467.7 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 fifteen 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, 2015, the Constitutional maximum is $2.4 billion.

6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2015, the carrying amount of cash for the primary government was $3.4 billion and the bank balance was $476.7 million. The carrying amount of cash for component units was $2.2 billion and the bank balance was $957.0 million. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled $386.8 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 6.2-1057 of the *Code of Virginia*. The act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

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

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

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

At June 30, 2015, the State Treasurer held no security that was in default as to principal or interest. The State Treasurer, with the exception of securities lending and one security in one nonmajor component unit portfolio with a one-day (July 1, 2015) maturity, had no securities that were out of compliance with guidelines.

Public funds held by the Commonwealth, public officers, municipal corporations, political subdivisions, and any other public body of the Commonwealth shall be held in trust for the citizens of the Commonwealth. Any investment of such funds 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, 2015, the primary government had $2.1 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 $1.6 billion of the total. The remainder was for various types of debt securities. The component units had no cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized.

As of June 30, 2015, the investments of the Pension and Other Employee Benefit Trust Funds were approximately 80.7 percent of the primary government investments, and 99.9 percent of those were exposed to custodial risk.

Interest Rate Risk

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

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

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

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

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

At June 30, 2015, the Commonwealth had the following investments and maturities:

Primary Government Investments

(Dollars in Thousands)

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 5,416,720	$ 554,148	$ 3,384,874	$ 941,967	$ 535,731
Corporate Bonds and Notes	13,825,977	3,890,846	4,962,172	3,404,876	1,568,083
Commercial Paper	3,870,883	3,870,883	-	-	-
Negotiable Certificates of Deposit	3,046,197	3,045,895	302	-	-
Repurchase Agreements	1,537,266	1,537,266	-	-	-
Municipal Securities	261,636	2,649	37,700	104,324	116,963
Asset-Backed Securities	576,120	316,619	96,135	46,311	117,055
Agency Mortgage-Backed Securities	2,640,167	208,636	1,587,664	728,920	114,947
Agency Unsecured Bonds and Notes	2,415,108	1,726,719	451,182	11,810	225,397
Mutual and Money Market Funds (Includes SNAP)	1,595,375	1,595,375	-	-	-
The Boston Company Pooled Employee Trust Fund	221,875	221,875	-	-	-
Guaranteed Investment Contracts	778,274	-	778,274	-	-
Fixed Income and Commingled Funds	1,243,271	256	267,647	975,368	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	430	102	328	-	-
Corporate Bonds	1,139	325	521	293	-
Other	1,108,199	456,644	387,664	206,625	57,266
Total	$ 38,538,637	$ 17,428,238	$ 11,954,463	$ 6,420,494	$ 2,735,442

Component Unit Investments

(Dollars in Thousands)

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 1,065,757	$ 112,636	$ 247,685	$ 30,153	$ 675,283
Corporate Bonds and Notes	437,752	147,404	244,794	40,903	4,651
Commercial Paper	323,819	319,819	4,000	-	-
Negotiable Certificates of Deposit	52,761	23,119	29,642	-	-
Repurchase Agreements	25,741	25,741	-	-	-
Reverse Repurchase Agreements	340,000	340,000	-	-	-
Municipal Securities	3,516,659	20,989	78,418	98,432	3,318,820
Asset-Backed Securities	176,753	10,207	122,115	9,474	34,957
Agency Unsecured Bonds and Notes	320,016	263,036	49,966	6,723	291
Agency Mortgage-Backed Securities	121,518	17,270	38,589	11,641	54,018
Mutual and Money Market Funds (Includes SNAP)	971,923	789,728	19,477	158,625	4,093
Guaranteed Investment Contracts	57,278	2,155	9,775	19,066	26,282
Fixed Income and Commingled Funds	46,437	892	44,637	908	-
Other	7,476	6,233	1,178	65	-
Total	$ 7,463,890	$ 2,079,229	$ 890,276	$ 375,990	$ 4,118,395

Foundation Investments

(Dollars in Thousands)

Investment Type	Fair Value
U.S. Treasury and Agency Securities	$ 1,025,876
Common & Preferred Stocks	941,811
Corporate Bonds and Notes	193,776
Negotiable Certificates of Deposit	14,048
Municipal Securities	3,180
Repurchase Agreements	443
Asset Backed Securities	1,361
Agency Mortgage Backed	5,201
Mutual and Money Market Funds	754,639
Real Estate	547,452
Index Funds	154,109
Hedge Funds	2,356,270
Partnerships	2,135,161
Venture Capital	384,142
Others	3,301,328
Total	$ 11,818,797

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, 2015. The ratings presented are using S&P and Moody's rating scales. Within the primary government, the investments presented in the table represented 83.3 percent of the total debt securities. Within the component units, the investments presented in the table represented 87.3 percent of the total debt securities, 44.2 percent of which were invested in unrated Municipal Securities.

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

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

Credit Rating - Primary Government
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
U. S. Treasury and Agency Securities	$ 5,416,720	N/A	N/A	14.1%
Commercial Paper	2,461,000	Moody's	P-1	6.4%
Agency Mortgage Backed Securities	2,444,628	Moody's	Aaa	6.3%
Agency Unsecured Bonds and Notes	2,072,195	Standard & Poor's	AA+	5.4%
Corporate Bonds and Notes	1,925,346	Moody's	NR	5.0%
Negotiable Certificates of Deposit	1,526,351	Standard & Poor's	A-1	4.0%
Negotiable Certificates of Deposit	1,384,418	Moody's	P-1	3.6%
Corporate Bonds and Notes	1,158,783	Moody's	Baa2	3.0%
Corporate Bonds and Notes	1,083,140	Moody's	Baa1	2.8%
Corporate Bonds and Notes	998,931	Moody's	A3	2.6%
Corporate Bonds and Notes	932,203	Moody's	Aa3	2.4%
Corporate Bonds and Notes	851,803	Moody's	Aa2	2.2%
Corporate Bonds and Notes	797,714	Moody's	Baa3	2.1%
Corporate Bonds and Notes	791,931	Moody's	A1	2.1%
Commercial Paper	790,233	Standard & Poor's	A-1	2.1%
Guaranteed Investment Contracts	778,274	N/A	N/A	2.0%
Corporate Bonds and Notes	634,271	Moody's	A2	1.7%
Other Debt Securities	632,067	Moody's	Aaa	1.6%
Repurchase Agreements	623,581	Moody's	NR	1.6%
Commercial Paper	619,650	Moody's	P-2	1.6%
Repurchase Agreements	600,000	Standard & Poor's	AA+	1.6%
Mutual and Money Market Funds (Include SNAP)	589,187	Standard & Poor's	A-3	1.5%
Corporate Bonds and Notes	584,225	Moody's	B1	1.5%
Fixed Income and Commingled Funds	538,026	Moody's	Baa1	1.4%
Fixed Income and Commingled Funds	497,121	N/A	N/A	1.3%
Mutual and Money Market Funds (Include SNAP)	466,158	Standard & Poor's	Aaa	1.2%
Corporate Bonds and Notes	412,163	Moody's	Ba3	1.1%
Corporate Bonds and Notes	411,878	Moody's	Ba1	1.1%

Credit Rating - Component Units
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Municipal Securities	$ 3,301,153	N/A	N/A	44.2%
U. S. Treasury and Agency Securities	1,065,757	N/A	N/A	14.3%
Mutual and Money Market Funds (Include SNAP)	618,586	Standard & Poor's	AAA	8.3%
Reverse Repurchase Agreements	340,000	Standard & Poor's	BBB-	4.6%
Agency Unsecured Bonds and Notes	276,821	Moody's	Aaa	3.7%
Mutual and Money Market Funds (Include SNAP)	243,057	N/A	N/A	3.3%
Commercial Paper	228,747	Moody's	P-1	3.1%
Asset Backed Securities	83,504	Moody's	Aaa	1.1%
Commercial Paper	72,083	N/A	N/A	1.0%
Corporate Bonds and Notes	65,000	Moody's	A1	0.9%
Corporate Bonds and Notes	58,175	N/A	N/A	0.8%
Guaranteed Investment Contracts	53,291	Moody's	A2	0.7%
Agency Mortgage Backed Securities	49,521	Standard & Poor's	AA+	0.7%
Fixed Income and Commingled Funds	46,437	N/A	N/A	0.6%

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, the Virginia College Savings Plan, and the Unclaimed Property portfolios at June 30, 2015.

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. 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, and the Virginia Biotechnology Research Partnership Authority portfolios at June 30, 2015.

Foreign Currency Exposures by Asset Class - Primary Government

(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Real Estate	Corporate Bonds	International Funds	Total
Euro Currency Unit	$ 24,798	$ 1,232,550	$ (55,109)	$ 738,777	$ 59,682	$ 21,699	$ -	$ 2,022,397
Japanese Yen	22,445	1,147,646	(1,216)	-	498	6,002	-	1,175,375
Hong Kong Dollar	2,226	673,036	(2,281)	-	4,939	3,552	-	681,472
British Pound Sterling	4,783	628,210	(316)	-	(184,953)	3,278	-	451,002
South Korean Won	1,467	395,561	(23,077)	-	-	-	-	373,951
Australian Dollar	1,494	390,771	(1,981)	-	(35,998)	-	-	354,286
Swiss Franc	4,501	302,137	7	-	1,084	2,188	-	309,917
Canadian Dollar	1,076	251,299	441	-	23,330	2,817	-	278,963
New Taiwan Dollar	3,441	255,486	-	-	-	-	-	258,927
US Dollar	-	-	-	-	-	-	251,608	251,608
Brazil Real	1,743	179,751	32,295	-	-	-	-	213,789
South African Comm Rand	886	168,480	44,268	-	-	-	-	213,634
New Turkish Lira	473	100,564	46,206	-	-	-	-	147,243
Norwegian Krone	717	144,307	-	-	(1,073)	-	-	143,951
Indian Rupee	292	87,734	35,390	-	-	-	-	123,416
Mexican New Peso	1,238	48,888	69,970	-	810	-	-	120,906
Thailand Baht	404	88,130	23,901	-	-	-	-	112,435
Swedish Krona	109	99,552	-	-	-	-	-	99,661
Malaysian Ringgit	581	56,753	39,225	-	-	-	-	96,559
Indonesian Rupiah	1,011	57,564	37,398	-	-	-	-	95,973
Polish Zloty	1,204	25,038	44,933	-	-	-	-	71,175
Danish Krone	99	68,739	-	-	(406)	-	-	68,432
Chilean Peso	436	38,905	319	-	-	-	-	39,660
Philippine Peso	148	18,902	9,935	-	-	-	-	28,985
Colombian Peso	700	298	22,548	-	-	-	-	23,546
Russian Ruble	241	2,758	15,234	-	-	-	-	18,233
Hungarian Forint	257	7,012	7,418	-	-	-	-	14,687
Turkish Lira	7,189	-	-	-	-	-	-	7,189
Egyptian Pound	105	6,561	-	-	-	-	-	6,666
Peruvian Nuevo Sol	-	9	6,411	-	-	-	-	6,420
Nigerian Naira	285	-	4,153	-	-	-	-	4,438
Romanian Leu	140	-	4,051	-	-	-	-	4,191
Qatari Riyal	-	1,330	-	-	-	-	-	1,330
UAE Dirham	-	945	-	-	-	-	-	945
Isreali Shekel	786	558	(525)	-	-	-	-	819
Czech Koruna	4	488	-	-	-	-	-	492
Chinese Yuan Renminbi	1	-	-	-	-	-	-	1
Moroccan Dirham	1	-	-	-	-	-	-	1
Singapore Dollar	1,976	(66,163)	(19,667)	-	-	1,236	-	(82,618)
New Zealand Dollar	342	(110,004)	260	-	-	-	-	(109,402)
Total	$ 87,599	$ 6,303,795	$ 340,191	$ 738,777	$ (132,087)	$ 40,772	$ 251,608	$ 7,630,655

Foreign Currency Exposures by Asset Class - Component Units

(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Real Estate	International Funds	Total
U.S. Dollar	$ -	$ -	$ -	$ -	$ -	$ 574	$ 574
British Pound Sterling	1,327	-	-	-	-	-	1,327
Euro Currency Unit	2,808	-	-	-	-	-	2,808
Other	4	-	-	-	-	-	4
Total	$ 4,139	$ -	$ -	$ -	$ -	$ 574	$ 4,713

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 (Repurchase Agreements) 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 during this reporting period.

When securities are loaned, the collateral received is at least 100.0 percent of fair value of the securities loaned and must be maintained at 100.0 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively restricts the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 9.4 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, 2015, all collateral received was in the form of cash.

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 69.4 percent general account funds and 30.6 percent Virginia Lottery funds as of June 30, 2015, had a carrying value of $270.4 million and a fair value of $319.3 million. The fair value of the collateral received was $325.1 million providing for coverage of 101.8 percent. At year-end, the State Treasury's securities lending program has no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe Treasury's securities lending program. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was $325.1 million and the fair value of the investments purchased with the cash collateral was $325.0 million. As of June 30, 2015, the State Treasurer's cash collateral reinvestment pool had an unrealized loss of $15,055, 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, 2015, approximately 96.5 percent of cash collateral reinvestments were in indemnified repurchase agreements, and 3.5 percent were legacy direct investments of asset-backed (including mortgage-backed) floating rate securities.

At June 30, 2015, the cash collateral reinvestment portfolio had a weighted average maturity of four 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 261 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 1.4 years.

At June 30, 2015, $11.4 million, or 3.5 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 in 2014. The securities are not in default and are making principal payments. Approximately 69.4 percent of these out of compliance securities are part of the general account portion of the securities lending program and the other 30.6 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 and related distributions and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity

of collateral investments, which averages 26 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, 2015, was $7.5 billion. The June 30, 2015, balance was composed of U.S. Government and agency securities of $3.1 billion, corporate and other bonds of $254.1 million and common and preferred stocks of $4.2 billion. The value of collateral (cash and non-cash) at June 30, 2015, was $8.0 billion.

At June 30, 2015, the invested cash collateral had a market value of $3.4 billion and was composed of commercial paper of $375.8 million, certificates of deposit of $323.0 million, floating rate notes of $2.1 billion, asset-backed securities of $0.2 million, money funds of $190.2 million, and repurchase agreements of $385.5 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, 2015.

	Accounts Receivable	Loans / Mortgage Receivable	Interest Receivable	Taxes Receivable	Prepaid Tuition Contributions Receivable
Primary Government:					
General	$ 1,031,333	$ 260	$ 353,324	$ 1,797,693	$ -
Major Special Revenue Funds:					
Commonwealth Transportation	135,391	113,410	-	178,520	-
Federal Trust	733,922	228	-	-	-
Literary	272,327	127,800	28,223	-	-
Nonmajor Governmental Funds	106,482	291	12,007	7,145	-
Major Enterprise Funds:					
Virginia Lottery	72,343	-	-	-	-
Virginia College Savings Plan	15,003	-	4,523	-	209,269
Unemployment Compensation	157,284	-	-	-	-
Nonmajor Enterprise Funds	98,195	-	-	-	-
Internal Service Funds	9,479	-	-	-	-
Private Purpose Trust Funds	2	4	2,174	-	-
Pension and Other Employee Benefit Trust Funds (1)	243,323	-	224,154	-	-
Investment Trust Fund	-	-	755	-	-
Agency Funds	641	-	-	104,946	-
Total Primary Government (2)	$ 2,875,725	$ 241,993	$ 625,160	$ 2,088,304	$ 209,269
Discrete Component Units:					
Virginia Housing Development Authority (3)	$ -	$ 6,949,124	$ 31,649	$ -	$ -
Virginia Public School Authority	-	-	65,287	-	-
Virginia Resources Authority	-	4,273,425	29,668	-	-
Virginia College Building Authority	-	-	25,184	-	-
Nonmajor Component Units (4)	1,652,679	172,284	3,124	5,929	-
Total Component Units	$ 1,652,679	$ 11,394,833	$ 154,912	$ 5,929	$ -

Note (1): Other Receivables of the Pension and Other Employee Benefit Trust Fund of $188,069 (dollars in thousands) are made up of $176,313 (dollars in thousands) in pending investment transactions, which includes $174,203 (dollars in thousands) futures margins receivable and $2,110 (dollars in thousands) in securities lending; and $11,756 (dollars in thousands) in other receivables related to benefit plans.

Note (2): Fiduciary net receivables in the amount of $2,167,625 (dollars in thousands) are not included in the Government-wide Statement of Net Position.

Note (3): Virginia Housing Development Authority (major component unit) reports $6,670,592 (dollars in thousands) as Restricted Loans Receivable, $29,853 (dollars in thousands) as Restricted Interest Receivable, and $339,849 as Restricted Other Receivables.

Note (4): Other Receivables of the nonmajor component units are primarily comprised of pledges receivable of $20,007 (dollars in thousands) reported by the University of Virginia; sponsors accounts receivable of $25,050 (dollars in thousands) reported by Virginia Commonwealth University; premium receivables of $78,859 (dollars in thousands) and third-party settlements and non-patient receivables of $60,193 (dollars in thousands) reported by Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University); grants and contracts receivable of $23,987 (dollars in thousands) reported by George Mason University; and $58,386 (dollars in thousands) reported by foundations of the higher education institutions representing FASB reporting entities defined in Note 1.B.; and $28,250 (dollars in thousands) reported by the Virginia Biotechnology Research Partnership Authority.

Security Transactions	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
$ -	$ -	$ (1,476,896)	$ 1,705,714	$ 375,568
-	-	(29,013)	398,308	3,786
-	-	(6,427)	727,723	10
-	-	(269,228)	159,122	111,319
-	1	(54,336)	71,590	285
-	-	-	72,343	-
-	-	-	228,795	159,417
-	-	(29,472)	127,812	-
-	-	(1,767)	96,428	-
-	-	(486)	8,993	-
-	-	-	2,180	-
1,450,934	188,069	-	2,106,480	-
-	-	-	755	-
-	-	(47,377)	58,210	5,816
$ 1,450,934	$ 188,070	$ (1,915,002)	$ 5,764,453	$ 656,201
$ -	$ 7,949	$ (193,856)	$ 6,794,866	$ 6,428,428
-	-	-	65,287	-
-	1,154	(313)	4,303,934	4,030,520
-	-	-	25,184	-
-	322,115	(789,890)	1,366,241	245,235
$ -	$ 331,218	$ (984,059)	$ 12,555,512	$ 10,704,183

8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations[1] included with the nonmajor component units, as of June 30, 2015. The major component units reported no contributions receivable for fiscal year 2015.

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
Discrete Component Units:							
Nonmajor Component Units	$ 143,141	$ 219,429	$ 67,873	$ 430,443	$ (23,734)	$ (25,765)	$ 380,944
Total Component Units	$ 143,141	$ 219,429	$ 67,873	$ 430,443	$ (23,734)	$ (25,765)	$ 380,944

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 10.0 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, 2015.

Schedule of Due from/to Other Funds

June 30, 2015

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 18,874	Major Special Revenue Funds:	
		Federal Trust	$ 347
		Major Enterprise Funds:	
		Virginia Lottery	4,255
		Nonmajor Enterprise Funds	13,056
		Internal Service Funds	1,216
Major Special Revenue Funds:			
Federal Trust	2,778	Major Enterprise Funds:	
		Unemployment Compensation	2,778
Nonmajor Governmental Funds	9,686	Major Special Revenue Funds:	
		Commonwealth Transportation	5,374
		Federal Trust	3,008
		Nonmajor Governmental Funds	400
		Major Enterprise Funds:	
		Unemployment Compensation	214
		Nonmajor Enterprise Funds	611
		Internal Service Funds	79
Major Enterprise Funds:			
Unemployment Compensation	682	General Fund	550
		Major Special Revenue Funds:	
		Commonwealth Transportation	1
		Federal Trust	22
		Nonmajor Governmental Funds	91
		Major Enterprise Funds:	
		Virginia Lottery	4
		Nonmajor Enterprise Funds	14
Nonmajor Enterprise Funds	733	General Fund	169
		Major Special Revenue Funds:	
		Commonwealth Transportation	294
		Federal Trust	79
		Nonmajor Governmental Funds	116
		Nonmajor Enterprise Funds	12
		Internal Service Funds	63
Internal Service Funds	52,087	General Fund	29,210
		Major Special Revenue Funds:	
		Commonwealth Transportation	8,929
		Federal Trust	5,613
		Nonmajor Governmental Funds	5,412
		Major Enterprise Funds:	
		Virginia Lottery	182
		Virginia College Savings Plan	64
		Nonmajor Enterprise Funds	2,029
		Internal Service Funds	648
Pension and Other Employee Benefit Trust Funds	20	Private Purpose Trust Funds	20
Total Primary Government	$ 84,860	Total Primary Government	$ 84,860

Schedule of Due from/to Internal/External Parties
June 30, 2015

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
Nonmajor Governmental Funds	$ 71	Agency	$ 71
Internal Service Funds	202	Private Purpose Trust	26
		Pension and Other Employee Benefit Trust Funds	176
Pension and Other Employee Benefit Trust Funds	25,767	General Fund	15,909
		Major Special Revenue Funds:	
		Commonwealth Transportation	4,106
		Federal Trust	2,102
		Nonmajor Governmental Funds	2,529
		Major Enterprise Funds:	
		Virginia Lottery	155
		Virginia College Savings Plan	59
		Nonmajor Enterprise Funds	562
		Internal Service Funds	345
Total Primary Government	$ 26,040	Total Primary Government	$ 26,040

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, 2015. There were no Interfund Receivables/Payables for the component units as of June 30, 2015.

(Dollars in Thousands)

Receivable From:	Amount	Payable To:	Amount
Primary Government		**Primary Government**	
Nonmajor Governmental Funds	$ 122,763	Major Special Revenue Funds:	
		Federal Trust	$ 7,094
		Nonmajor Enterprise Funds	37,065
		Internal Service Funds	78,604
Total Primary Government	$ 122,763	Total Primary Government	$ 122,763

Due from/to Primary Government and Component Units

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

A due from primary government amount that is due from the Federal Trust Fund (major special revenue) to the Virginia College Building Authority (major component unit) of $4.1 million is for interest on Build America Bonds (BABs).

A $8.2 million due from primary government amount represents General Fund (major governmental) appropriation available amounts that are due from the General Fund to higher education institutions (nonmajor component units). The General Fund reports $74,929 in the fund financial statements and $8.1 million in the government-wide financial statements.

A $20,798 due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of the Treasury's reimbursement programs to a higher education institution (nonmajor component unit).

A $1.1 million due from component units amount represents amounts due to the General Fund (major governmental) from higher education institutions (nonmajor component units) related to interest.

A $19.3 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the nonmajor component units.

A $596,684 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 $135.1 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 $8.0 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 $29.4 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 Richard Bland College (part of the College of William and Mary – nonmajor component unit) loan of $129,092 was to advance fund the VCBA Equipment Trust Fund program. The George Mason University and the Virginia Community College System (nonmajor component units) loans of $12.5 million and $4.0 million, respectively, were used to advance fund federally-funded programs. The Roanoke Higher Education Authority (nonmajor component unit) loan of $2.4 million was used to advance fund the VCBA 21st Century program. These amounts are due to a nonmajor governmental fund.

The $185.9 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, 2015.

(Dollars in Thousands)

	Cash and Travel Advances	Other Assets	Total Other Assets
Primary Government:			
General	$ 970	$ -	$ 970
Major Special Revenue Funds:			
Commonwealth Transportation	414	-	414
Federal Trust	1,625	-	1,625
Nonmajor Governmental Funds	729	1,022	1,751
Major Enterprise Funds:			
Virginia Lottery	1	-	1
Nonmajor Enterprise Funds (1)	209	120,182	120,391
Internal Service Funds (2)	3	11,058	11,061
Agency Funds (3)	-	26	26
Total Primary Government (3)	$ 3,951	$ 132,288	$ 136,239
Discrete Component Units:			
Virginia Housing Development Authority	$ -	$ 9,122	$ 9,122
Virginia Resources Authority	-	393	393
Nonmajor Component Units	2,819	89,549	92,368
Total Component Units	$ 2,819	$ 99,064	$ 101,883

Note (1): Of the $120,391 (dollars in thousands) shown above, $120,113 (dollars in thousands) represents amounts owed to the Route 460 Funding Corporation of Virginia (nonmajor enterprise) by the Commonwealth Transportation Fund (major special revenue) 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): Of the $11,061 (dollars in thousands) shown above, $9,079 (dollars in thousands) and $1,979 (dollars in thousands) represent Virginia Information Technologies Agency and Virginia Correctional Enterprises, respectively, amounts due from various governmental funds that will not be received within 60 days. These amounts are reclassified to an internal balance on the Government-wide Statement of Net Position.

Note (3): Other Assets of the Agency Funds represent prepaid expenses and advances to third party agents. The $26 (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), Debt Service Fund (nonmajor governmental), and Capital Project Fund (nonmajor governmental) reported $892.2 million in restricted assets related to bond agreements.

The Route 460 Funding Corporation of Virginia (nonmajor enterprise) reported restricted assets of $161.2 million for future debt service payments.

The Virginia Housing Development Authority, the Virginia Public School Authority, and the Virginia College Building Authority (all major component units) reported restricted assets totaling $1.2 billion, $154.3 million, and $167.0 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 $673.1 million. Of this amount, $665.4 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 $156.0 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 $214.0 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 $86.5 million. Of this amount, $66.2 million is for debt service and $20.3 million is revenue bond construction funds.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of $38.3 million for gifts and grants.

The higher education institutions (nonmajor component units) reported restricted assets totaling approximately $4.7 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $4.0 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 $259.4 million and $20.0 million, respectively, primarily for donor-imposed restricted endowments.

The remaining $4.8 million is spread among the following nonmajor component units: the Virginia Outdoors Foundation, the Danville Science Center, the Fort Monroe Authority, the Virginia Arts Foundation, the Library of Virginia Foundation, and the Virginia Health Workforce Development Authority.

12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets as of June 30, 2015.

Schedule of Changes in Capital Assets

Governmental Activities

(Dollars in Thousands)

	Balance July 1, as restated (1)	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 2,821,876	$ 164,548	$ (50,920)	$ 2,935,504
Water Rights and/or Easements	64,870	4,900	-	69,770
Infrastructure	322,741	-	-	322,741
Construction-in-Progress (2)	3,981,983	1,961,045	(1,923,938)	4,019,090
Total Nondepreciable Capital Assets	7,191,470	2,130,493	(1,974,858)	7,347,105
Depreciable Capital Assets:				
Buildings (3)	3,830,496	205,517	(24,949)	4,011,064
Equipment	1,117,366	70,746	(26,267)	1,161,845
Infrastructure (4)	30,670,853	2,430,551	(410,904)	32,690,500
Software	475,847	21,047	-	496,894
Total Capital Assets being Depreciated	36,094,562	2,727,861	(462,120)	38,360,303
Less Accumulated Depreciation for:				
Buildings	1,313,636	93,396	(15,647)	1,391,385
Equipment	632,590	65,807	(21,706)	676,691
Infrastructure	13,209,454	864,048	(34,877)	14,038,625
Software	222,282	30,542	-	252,824
Total Accumulated Depreciation	15,377,962	1,053,793	(72,230)	16,359,525
Total Depreciable Capital Assets, Net	20,716,600	1,674,068	(389,890)	22,000,778
Total Capital Assets, Net	$ 27,908,070	$ 3,804,561	$ (2,364,748)	$ 29,347,883

Note (1): Beginning balances have been restated by $9.5 million as discussed in Note 2. There have also been reclassifications in the beginning balances of certain line items above.
Note (2): Decreases include permanently impaired assets with a carrying value of $93,265 (dollars in thousands) as discussed in Note 31.
Note (3): Includes temporarily impaired assets with a carrying value of $3,353 (dollars in thousands).
Note (4): Decreases include permanently impaired assets with a carrying value of $41,296 (dollars in thousands) as discussed in Note 31.

Depreciation Expense Charged to Functions of the Primary Government

June 30, 2015

(Dollars in Thousands)

Governmental Activities:	
General Government	$ 32,349
Education	13,409
Transportation	894,868
Resources and Economic Development	18,407
Individual and Family Services	28,983
Administration of Justice	48,557
Capital Assets held by the Internal Service Funds are charged to various functions	17,220
Total	$ 1,053,793

Schedule of Changes in Capital Assets
Business-type Activities

(Dollars in Thousands)

	Balance July 1	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 1,977	$ -	$ -	$ 1,977
Construction-in-Progress (1)	132,165	5,120	(132,683)	4,602
Total Nondepreciable Capital Assets	134,142	5,120	(132,683)	6,579
Depreciable Capital Assets:				
Buildings	30,639	145	-	30,784
Equipment	63,835	3,960	(2,215)	65,580
Software	4,790	2,424	(175)	7,039
Total Capital Assets being Depreciated	99,264	6,529	(2,390)	103,403
Less Accumulated Depreciation for:				
Buildings	12,586	560	-	13,146
Equipment	50,174	5,527	(2,270)	53,431
Software	2,107	1,071	-	3,178
Total Accumulated Depreciation	64,867	7,158	(2,270)	69,755
Total Depreciable Capital Assets, Net	34,397	(629)	(120)	33,648
Total Capital Assets, Net	$ 168,539	$ 4,491	$ (132,803)	$ 40,227

Note (1): Decreases include permanently impaired assets with a carrying value of $131,351 (dollars in thousands) as discussed in Note 31.

Schedule of Changes in Capital Assets
Component Units

(Dollars in Thousands)

	Balance July 1 as restated (1)	Increases	Decreases	Subtotal June 30	Foundations (2)	Total June 30
Nondepreciable Capital Assets:						
Land	$ 587,699	$ 18,186	$ (5,675)	$ 600,210	$ 281,216	$ 881,426
Construction-in-Progress	1,240,006	1,261,682	(830,383)	1,671,305	41,380	1,712,685
Inexhaustible Works of Art/Historical Treasures	77,899	609	-	78,508	20,440	98,948
Livestock	1,012	156	-	1,168	1,900	3,068
Total Nondepreciable Capital Assets	1,906,616	1,280,633	(836,058)	2,351,191	344,936	2,696,127
Depreciable Capital Assets:						
Buildings	14,118,340	645,231	(21,971)	14,741,600	1,198,517	15,940,117
Infrastructure	3,141,538	169,871	(347)	3,311,062	4,606	3,315,668
Equipment	3,126,695	386,825	(91,649)	3,421,871	149,150	3,571,021
Improvements Other Than Buildings	491,572	20,892	(2,787)	509,677	74,962	584,639
Library Books	812,428	30,732	(9,732)	833,428	-	833,428
Software	408,441	31,174	(2,836)	436,779	-	436,779
Other Intangible Assets	2,000	-	-	2,000	-	2,000
Total Capital Assets being Depreciated	22,101,014	1,284,725	(129,322)	23,256,417	1,427,235	24,683,652
Less Accumulated Depreciation for:						
Buildings	4,317,512	407,534	(10,147)	4,714,899	297,911	5,012,810
Infrastructure	1,419,290	86,120	(160)	1,505,250	2,668	1,507,918
Equipment	2,068,695	323,344	(89,303)	2,302,736	102,283	2,405,019
Improvements Other Than Buildings	282,316	21,594	(1,058)	302,852	47,341	350,193
Library Books	684,000	33,173	(9,675)	707,498	-	707,498
Software	298,621	30,539	(2,313)	326,847	-	326,847
Other Intangible Assets	1,333	134	-	1,467	-	1,467
Total Accumulated Depreciation	9,071,767	902,438	(112,656)	9,861,549	450,203	10,311,752
Total Depreciable Capital Assets, Net	13,029,247	382,287	(16,666)	13,394,868	977,032	14,371,900
Total Capital Assets, Net	$ 14,935,863	$ 1,662,920	$ (852,724)	$ 15,746,059	$ 1,321,968	$ 17,068,027

Note (1): Beginning balances have been restated by $46,465 (dollars in thousands) by nonmajor component units.

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires certain items to be classified as either deferred outflows or deferred inflows of resources. Additionally, deferred outflows or deferred inflows of resources are also required by other GASB statements. While all deferred outflows or deferred inflows of resources applicable to the Commonwealth are listed below, see Notes 14, 15, and 37 for additional information regarding these items.

Deferred Outflows

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

Deferred Inflows

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

The following tables summarize deferred outflows and deferred inflows as of June 30, 2015.

Government-wide Statements

(Dollars in Thousands)	Primary Government			
	Governmental Actvities	Business-type Activities	Total	Total Component Units
Deferred Outflows of Resources				
Effective Hedges in a Loss Position	$ -	$ -	$ -	$ 6,019
Loss on Refunding of Debt	81,643	-	81,643	444,181
Pension Related	425,405	13,438	438,843	252,455
Total Deferred Outflows of Resources	$ 507,048	$ 13,438	$ 520,486	$ 702,655
Deferred Inflows of Resources				
Effective Hedges in a Gain Position	$ -	$ -	$ -	$ 4,828
Service Concession Arrangements	2,170,952	-	2,170,952	72,970
Gain on Refunding of Debt	-	-	-	29,843
Pension Related	747,362	21,371	768,733	473,139
Total Deferred Inflows of Resources	$ 2,918,314	$ 21,371	$ 2,939,685	$ 580,780

Fund Statements

(Dollars in Thousands)	Primary Government - Governmental Funds					
	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Outflows of Resources						
Total Deferred Outflows of Resources	$ -	$ -	$ -	$ -	$ -	$ -
Deferred Inflows of Resources						
Revenues Considered Unavailable	$ 912,706	$ 73,443	$ 53,787	$ 19,011	$ 34,986	$ 1,093,933
Total Deferred Inflows of Resources	$ 912,706	$ 73,443	$ 53,787	$ 19,011	$ 34,986	$ 1,093,933

(Dollars in Thousands)	Business-type Activities Enterprise Funds					
	Virginia Lottery	Virginia College Savings Plan	Nonmajor	Total Business-type Activities	Internal Service Funds	Private Purpose Trust Funds
Deferred Outflows of Resources						
Effective Hedges in a Loss Position	$ -	$ -	$ -	$ -	$ -	$ -
Loss on Refunding of Debt	-	-	-	-	-	-
Pension Related	2,756	1,067	9,615	13,438	5,475	448
Total Deferred Outflows of Resources	$ 2,756	$ 1,067	$ 9,615	$ 13,438	$ 5,475	$ 448
Deferred Inflows of Resources						
Effective Hedges in a Gain Position	$ -	$ -	$ -	$ -	$ -	$ -
Service Concession Arrangements	-	-	-	-	-	-
Gain on Refunding of Debt	-	-	-	-	-	-
Pension Related	4,292	1,581	15,498	21,371	11,173	587
Total Deferred Inflows of Resources	$ 4,292	$ 1,581	$ 15,498	$ 21,371	$ 11,173	$ 587

(Continued on next page)

(Dollars in Thousands)	Component Units				
	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units	Total Component Units
Deferred Outflows of Resources					
Effective Hedges in a Loss Position	$ -	$ -	$ -	$ 6,019	$ 6,019
Loss on Refunding of Debt	151,715	80,539	26,191	185,736	444,181
Pension Related	-	47	-	252,408	252,455
Total Deferred Outflows of Resources	$ 151,715	$ 80,586	$ 26,191	$ 444,163	$ 702,655
Deferred Inflows of Resources					
Effective Hedges in a Gain Position	$ -	$ -	$ -	$ 4,828	$ 4,828
Service Concession Arrangements	-	-	-	72,970	72,970
Gain on Refunding of Debt	-	29,843	-	-	29,843
Pension Related	-	74	-	473,065	473,139
Total Deferred Inflows of Resources	$ -	$ 29,917	$ -	$ 550,863	$ 580,780

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 (Virginia529)

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest), which enables the entire investment to be carried at its book value. The Virginia529 utilizes stable value investments in both the Virginia529 prePAID Program (major enterprise fund) and Virginia529 inVEST Fund (Private Purpose Trust Fund). Virginia529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. At June 30, 2015, Virginia529 had the following stable value investments outstanding (dollars in thousands) in the respective programs as shown in the table below.

Stable Value Investments

Fund	Wrap Provider	Notional Amount	Effective Date	Maturity Date	Credit Rate	June 30, 2015 Fair Value	June 30, 2014 Fair Value
Enterprise	American General Life	$ 36,546	2/21/2014	Open ended	1.5%	$ 120,898	$ 114,438
	Voya Retirement & Annuity	57,932	12/3/2002	Open ended	2.5%		
	State Street Bank	24,048	5/1/2002	Open ended	2.8%		
Private Purpose	American General Life	$ 131,667	1/16/2014	Open ended	1.4%	$ 666,733	$ 486,917
	Voya Retirement & Annuity	132,324	12/3/2002	Open ended	2.3%		
	Voya Retirement & Annuity	131,586	10/5/2012	Open ended	1.3%		
	Prudential Retirement Insurance & Annuity	132,092	1/30/2014	Open ended	2.1%		
	State Street Bank	132,077	5/1/2002	Open ended	1.9%		

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

	Investment Derivatives - U.S. Treasury Futures Contracts				
	Changes in Fair Value		Fair Value at June 30, 2015		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ 95	Investment	$ 95	$ 32,391

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

Virginia prePAID Currency Forwards

Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
British Pound Sterling	$ 3,795	$ -	$ (3,812)	$ (3,812)
Canadian Dollar	2,766	-	(2,725)	(2,725)
Euro	23,280	2,797	(26,109)	(23,312)
Hong Kong Dollar	3,662	-	(3,663)	(3,663)
Japanese Yen	6,207	-	(6,150)	(6,150)
Singapore Dollar	1,463	-	(1,455)	(1,455)
Swiss Franc	2,270	-	(2,268)	(2,268)
U.S. Dollar	(43,443)	46,248	(2,804)	43,444
Total	$ -	$ 49,045	$ (48,986)	$ 59

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, 2015, 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, 2015 and 2014 is shown in the following table.

Futures Contracts
as of June 30
(Dollars in Thousands)

	2015	2014
Cash & Cash Equivalent Derivatives Futures:		
Long	$ -	$ 77,225
Short	(183,747)	-
Equity Derivatives Futures:		
Long	827,881	61,465
Short	-	(4,295)
Fixed Income Derivatives Futures:		
Long	89,556	12,201
Short	(606,020)	(197,647)
Total Futures	$ 127,670	$ (51,051)

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, 2015 and 2014 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 2015	Fair Value 2014
Australian Dollar	$ (222,668)	$ 227,230	$ (449,717)	$ (222,487)	$ (314,166)
Brazil Real	(57,621)	1,468	(58,995)	(57,527)	(51,138)
British Pound Sterling	(1,041,765)	208,787	(1,259,334)	(1,050,547)	(951,315)
Canadian Dollar	(568,352)	119,984	(686,260)	(566,276)	(446,996)
Chilean Peso	332	1,942	(1,623)	319	2,632
Chinese Yuan Renminbi	-	-	-	-	12
Colombian Peso	(7,933)	3,438	(11,252)	(7,814)	(5,860)
Danish Krone	(94,713)	29,693	(124,012)	(94,319)	(95,551)
Euro Currency Unit	(1,040,144)	406,950	(1,444,843)	(1,037,893)	(1,401,501)
Hong Kong Dollar	(166,459)	18,780	(185,240)	(166,460)	(211,954)
Hungarian Forint	1,138	7,201	(6,118)	1,083	(4,298)
Indian Rupee	19,274	24,289	(4,812)	19,477	7,245
Indonesian Rupiah	1,056	2,640	(1,583)	1,057	784
Israeli Shekel	(69,241)	2,640	(72,089)	(69,449)	(63,912)
Japanese Yen	(1,047,916)	267,131	(1,319,534)	(1,052,403)	(601,319)
Malaysian Ringgit	15,965	16,582	(742)	15,840	10,721
Mexican Peso	11,126	19,371	(8,633)	10,738	14,488
New Turkish Lira	4,437	11,827	(7,181)	4,646	6,181
New Zealand Dollar	(131,860)	75,524	(202,775)	(127,251)	(22,593)
Norwegian Krone	70,018	202,728	(134,300)	68,428	77,181
Peruvian Nuevo Sol	2,345	3,494	(1,149)	2,345	(727)
Philippine Peso	8,823	8,874	(141)	8,733	(605)
Polish Zloty	7,460	10,044	(2,766)	7,278	11,275
Romanian Leu	(1,599)	1,451	(3,081)	(1,630)	(50)
Russian Ruble	(6,358)	2,983	(8,964)	(5,981)	394
Singapore Dollar	(253,653)	87,127	(340,189)	(253,062)	(191,259)
South African Rand	(2,163)	14,727	(16,808)	(2,081)	(11,809)
South Korean Won	(23,121)	268	(23,345)	(23,077)	2,784
Swedish Krona	(157,625)	79,347	(237,633)	(158,286)	(329,656)
Swiss Franc	(293,533)	162,102	(455,104)	(293,002)	(611,653)
Thai Baht	7,465	7,924	(498)	7,426	4,585
U.S. Dollar	5,037,287	7,041,074	(2,003,787)	5,037,287	5,162,660
Total Forwards Subject to Foreign Currency Risk				$ (4,888)	$ (15,420)

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, 2015 and 2014 is shown in the following table.

Options Contracts
as of June 30
(Dollars in Thousands)

	2015	2014
Cash and Cash Equivalent Options:		
Call	$ (3)	$ (117)
Put	14	(23)
Equity Options:		
Call	-	-
Put	-	-
Fixed Income Options:		
Call	(12)	-
Put	(37)	-
Swaptions:		
Call	(12)	(110)
Put	(51)	(53)
Total Options	$ (101)	$ (303)

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 2015, the System entered into credit defaults, interest rate and total return swaps. Information on the System's swap balances at June 30, 2015 and 2014 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 2015	Fair Value 2014
Credit Default Swaps:								
Barclays Bank PLC	$ 3,900			6/20/2019	Selling	1.0%	$ 47	$ 75
Barclays Bank PLC	3,700			12/20/2018	Buying	1.0%	(64)	(63)
Barclays Bank PLC	3,450			9/20/2020	Selling	1.0%	(53)	-
Barclays Bank PLC	3,400			6/20/2019	Selling	1.0%	(57)	38
Barclays Bank PLC	2,600			9/20/2015	Selling	1.0%	(9)	2
Barclays Bank PLC	1,800			12/20/2018	Buying	1.0%	(33)	(28)
Barclays Bank PLC	1,800			9/20/2015	Selling	1.0%	(1)	(5)
Barclays Bank PLC	800			9/20/2015	Selling	1.0%	1	-
Barclays Bank PLC	700			12/20/2018	Buying	1.0%	(9)	(9)
Barclays Bank PLC	600			6/20/2019	Selling	1.0%	(4)	8
Barclays Bank PLC	4,381			3/20/2021	Selling	5.0%	-	536
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	548			9/20/2022	Selling	5.0%	-	68
Barclays Bank PLC	200			3/20/2019	Selling	1.0%	-	(6)
Credit Suisse Group AG	3,400			12/20/2018	Buying	1.0%	(52)	(93)
Credit Suisse Group AG	1,300			6/20/2020	Selling	5.0%	35	-
Credit Suisse Group AG	800			12/20/2016	Selling	1.0%	8	14
Credit Suisse Group AG	225			12/20/2015	Selling	5.0%	3	-
Credit Suisse Group AG	200			12/20/2016	Selling	1.0%	2	2
Credit Suisse Group AG	150			12/20/2016	Selling	5.0%	5	-
Credit Suisse Group AG	6,250			12/20/2016	Buying	1.0%	-	(111)
Credit Suisse Group AG	1,000			12/20/2018	Selling	1.0%	-	16
Credit Suisse Group AG	500			12/20/2018	Buying	5.0%	-	(96)
Deutsche Bank AG	8,875			6/20/2019	Selling	1.0%	(421)	(341)
Deutsche Bank AG	5,300			12/20/2018	Selling	1.0%	24	64
Deutsche Bank AG	2,900			6/20/2019	Selling	1.0%	-	25
Deutsche Bank AG	2,600			9/20/2015	Selling	1.0%	(9)	2
Deutsche Bank AG	1,400			9/20/2015	Selling	1.0%	1	11
Deutsche Bank AG	1,200			12/20/2016	Selling	1.0%	12	21
Deutsche Bank AG	800			9/20/2015	Selling	1.0%	1	-
Deutsche Bank AG	700			6/20/2018	Selling	1.0%	(21)	(3)
Deutsche Bank AG	400			3/20/2020	Selling	1.0%	(4)	-
Deutsche Bank AG	400			3/20/2016	Selling	1.0%	-	-
Deutsche Bank AG	6,000			12/20/2018	Selling	1.0%	-	(63)
Deutsche Bank AG	3,000			9/20/2014	Selling	1.0%	-	-
Deutsche Bank AG	3,000			9/20/2014	Selling	1.0%	-	(2)
Deutsche Bank AG	2,300			9/20/2014	Selling	1.0%	-	2
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	1,100			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
Deutsche Bank AG	500			9/20/2014	Selling	1.0%	-	1
Deutsche Bank AG	300			9/20/2014	Buying	10.0%	-	1
Goldman Sachs Group Inc	6,600			6/20/2019	Selling	1.0%	(110)	75
Goldman Sachs Group Inc	5,800			9/20/2019	Selling	1.0%	(301)	-
Goldman Sachs Group Inc	5,225			3/20/2020	Selling	5.0%	(37)	-
Goldman Sachs Group Inc	5,200			6/20/2020	Selling	1.0%	(362)	-
Goldman Sachs Group Inc	5,200			9/20/2015	Selling	1.0%	2	41
Goldman Sachs Group Inc	5,000			12/20/2018	Selling	1.0%	(99)	30
Goldman Sachs Group Inc	4,900			6/20/2020	Selling	5.0%	(67)	-
Goldman Sachs Group Inc	3,400			6/20/2019	Selling	1.0%	(22)	46
Goldman Sachs Group Inc	2,300			3/20/2019	Selling	5.0%	263	319
Goldman Sachs Group Inc	2,100			12/20/2019	Selling	5.0%	83	-
Goldman Sachs Group Inc	2,100			12/20/2019	Selling	1.0%	(258)	-
Goldman Sachs Group Inc	1,950			9/20/2015	Selling	1.0%	(799)	-
Goldman Sachs Group Inc	1,050			12/20/2020	Selling	1.0%	(33)	(60)
Goldman Sachs Group Inc	900			3/20/2020	Buying	1.0%	88	-
Goldman Sachs Group Inc	700			3/20/2016	Selling	1.0%	1	-
Goldman Sachs Group Inc	650			6/20/2019	Buying	1.0%	(16)	(57)
Goldman Sachs Group Inc	650			6/20/2020	Selling	5.0%	46	-
Goldman Sachs Group Inc	300			12/20/2018	Selling	1.0%	(3)	4
Goldman Sachs Group Inc	9,600			9/20/2014	Selling	1.0%	-	16
Goldman Sachs Group Inc	5,100			6/20/2019	Selling	1.0%	-	20
Goldman Sachs Group Inc	3,150			12/20/2016	Buying	1.0%	-	(58)
Goldman Sachs Group Inc	1,300			3/20/2018	Selling	5.0%	-	(35)
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
Goldman Sachs Group Inc	400			3/20/2015	Selling	1.0%	-	(2)
Goldman Sachs Group Inc	100			9/20/2018	Selling	5.0%	-	13
HSBC Securities Inc	5,300			9/20/2020	Selling	1.0%	(81)	-
HSBC Securities Inc	2,100			3/20/2020	Selling	1.0%	(21)	-
HSBC Securities Inc	1,500			9/20/2019	Selling	1.0%	(78)	-
HSBC Securities Inc	1,300			9/20/2015	Selling	1.0%	-	10
HSBC Securities Inc	1,100			6/20/2019	Selling	1.0%	(7)	15
HSBC Securities Inc	1,000			6/20/2019	Selling	1.0%	(17)	11
HSBC Securities Inc	900			3/20/2019	Selling	1.0%	(27)	(26)

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(Dollars in Thousands)

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/ Selling Protection	Pay/ Receive Rate	Fair Value 2015	Fair Value 2014
Credit Default Swaps *(continued)* **:**								
HSBC Securities Inc	700			6/20/2018	Selling	1.0%	(21)	(3)
HSBC Securities Inc	400			3/20/2019	Selling	1.0%	(12)	(11)
HSBC Securities Inc	400			6/20/2019	Selling	1.0%	(11)	(33)
HSBC Securities Inc	200			3/20/2023	Selling	1.0%	(19)	(18)
HSBC Securities Inc	100			3/20/2023	Selling	1.0%	(10)	(9)
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
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	844			6/20/2019	Selling	1.0%	-	3
HSBC Securities Inc	756			6/20/2019	Selling	1.0%	-	3
Intercontinental Exchange Holdings	26,159			6/20/2020	Selling	5.0%	1,633	-
Intercontinental Exchange Holdings	18,300			6/20/2020	Selling	1.0%	(1,685)	-
Intercontinental Exchange Holdings	5,000			6/20/2020	Selling	5.0%	346	-
Intercontinental Exchange Holdings	17,700			6/20/2019	Selling	5.0%	-	2,101
Totals-Credit Default Swaps	269,140						(2,232)	2,712
Interest Rate Swaps:								
Banque Nationale de Paris	89,000	Brazil Cetip Interbank Deposit	13.5%	1/2/2017			(155)	-
Barclays PLC	1,481	Brazil Cetip Interbank Deposit	13.8%	1/4/2016			(2)	-
Barclays PLC	1,288	Brazil Cetip Interbank Deposit	12.4%	1/2/2018			(17)	-
Barclays PLC	733	3-month Johannesburg (JIBAR)	8.0%	12/18/2023			(8)	(9)
Barclays PLC	650	Mexico Interbank 28-day Index	5.0%	2/26/2018			9	-
Barclays PLC	404	3-month Johannesburg (JIBAR)	7.5%	12/17/2019			(2)	-
Barclays PLC	544	Brazil Cetip Interbank Deposit	10.63% CDI	1/2/2017			-	(5)
Barclays PLC	136	Brazil Cetip Interbank Deposit	11.5%	1/2/2017			-	(1)
BlackRock Inc	786	Mexico Interbank 28-day Index	5.0%	2/26/2018			-	16
Chicago Mercantile Exchange Inc	183,813	3-month LIBOR	1.5%	9/15/2017			1,663	-
Chicago Mercantile Exchange Inc	140,213	3-month LIBOR	1.5%	9/15/2017			1,268	-
Chicago Mercantile Exchange Inc	12,813	6-month EURIBOR +100 bps	0.8%	9/16/2025			571	-
Chicago Mercantile Exchange Inc	10,397	3.0%	3-month LIBOR	9/15/2045			(72)	-
Chicago Mercantile Exchange Inc	8,300	1.3%	3-month LIBOR	5/6/2017			(12)	-
Chicago Mercantile Exchange Inc	7,400	2.0%	3-month LIBOR	12/16/2019			(56)	-
Chicago Mercantile Exchange Inc	6,290	Mexico Interbank 28-day Index	5.6%	7/7/2021			(16)	-
Chicago Mercantile Exchange Inc	5,209	1.0%	6-month LIBOR - Japanese Yen	9/18/2023			(208)	(210)
Chicago Mercantile Exchange Inc	4,246	2.0%	6-month LIBOR - British Pound	9/16/2025			82	-
Chicago Mercantile Exchange Inc	3,617	3.0%	6-month LIBOR - British Pound	9/17/2024			(274)	(56)
Chicago Mercantile Exchange Inc	1,785	Mexico Interbank 28-day Index	5.8%	6/5/2023			(41)	-
Chicago Mercantile Exchange Inc	1,651	Mexico Interbank 28-day Index + 100 bps	6.2%	1/3/2035			(168)	-
Chicago Mercantile Exchange Inc	1,553	1.0%	6-month LIBOR - Japanese Yen	9/20/2024			(10)	-
Chicago Mercantile Exchange Inc	1,262	Mexico Interbank 28-day Index	5.6%	11/10/2021			(13)	-
Chicago Mercantile Exchange Inc	1,114	6-month EURIBOR	0.8%	9/16/2025			50	-
Chicago Mercantile Exchange Inc	1,114	1.5%	6-month EURIBOR	3/16/2046			68	-
Chicago Mercantile Exchange Inc	196	0.5%	6-month LIBOR - Japanese Yen	9/17/2021			(2)	-
Chicago Mercantile Exchange Inc	134	Mexico Interbank 28-day Index + 100 bps	5.5%	2/22/2023			(5)	-
Chicago Mercantile Exchange Inc	49,000	2.0%	3-month LIBOR	6/18/2019			-	(742)
Chicago Mercantile Exchange Inc	37,400	3-month LIBOR	3.0%	6/18/2024			-	1,314
Chicago Mercantile Exchange Inc	8,010	2.0%	6-month EURIBOR	9/17/2024			-	(388)
Chicago Mercantile Exchange Inc	4,100	3.8%	3-month LIBOR	6/18/2044			-	(361)
Chicago Mercantile Exchange Inc	1,780	0.4%	3-month EURIBOR	3/14/2015			-	(3)
Chicago Mercantile Exchange Inc	1,369	6-month EURIBOR	1.5%	3/19/2019			-	56
Credit Suisse Group AG	3,058	Brazil Cetip Interbank Deposit	12.2%	1/4/2021			(5)	-
Deutsche Bank AG	13,907	Brazil Cetip Interbank Deposit	12.8%	1/4/2021			148	-
Deutsche Bank AG	11,267	Brazil Cetip Interbank Deposit	13.9%	1/2/2017			(2)	-
Deutsche Bank AG	6,664	10.9%	Brazil Cetip Interbank Deposit	1/2/2017			202	-
Deutsche Bank AG	6,503	12.3%	Brazil Cetip Interbank Deposit	1/2/2017			45	-
Deutsche Bank AG	4,603	Brazil Cetip Interbank Deposit	11.7%	1/4/2021			(97)	-
Deutsche Bank AG	1,550	Colombia IBR Overnight Interbank	5.3%	8/29/2019			10	-
Deutsche Bank AG	1,497	Brazil Cetip Interbank Deposit	12.9%	4/1/2021			34	-
Deutsche Bank AG	1,299	Klibor Interbank Offered Rate	3.3%	4/19/2018			(13)	(30)
Deutsche Bank AG	1,217	Mexico Interbank 28-day Index	5.0%	10/10/2019			(6)	-
Deutsche Bank AG	915	Colombia IBR Overnight Interbank	6.1%	10/16/2024			(6)	-
Deutsche Bank AG	701	5.3%	Mexican Interbank Equlibrium	9/6/2019			4	8
Deutsche Bank AG	415	Brazil Cetip Interbank Deposit	12.4%	1/2/2018			(6)	-
Deutsche Bank AG	338	6-month LIBOR-Thai Baht	2.6%	1/29/2025			(5)	-
Deutsche Bank AG	231	Colombia IBR Overnight Interbank	5.3%	3/17/2020			1	-
Deutsche Bank AG	148	6-month LIBOR-Thai Baht	3.4%	1/15/2021			9	2
Deutsche Bank AG	148	6-month LIBOR-Thai Baht	3.4%	1/21/2021			9	(2)
Deutsche Bank AG	59	6-month LIBOR-Thai Baht	3.4%	11/19/2018			3	1
Deutsche Bank AG	30	6-month LIBOR-Thai Baht	3.4%	11/14/2018			1	1
Deutsche Bank AG	18	6-month LIBOR-Thai Baht	2.2%	1/29/2020			-	-
Deutsche Bank AG	1,406	Brazil Cetip Interbank Deposit	10.6%	1/2/2017			-	(13)
Goldman Sachs Group Inc	4,058	3-month New Zeland Bank Bill	5.0%	12/17/2024			360	-
Goldman Sachs Group Inc	404	3-month Johannesburg (JIBAR)	7.5%	12/17/2019			(2)	-
HSBC Securities Inc	15,870	13.8%	Brazil Cetip Interbank Deposit	1/2/2017			12	-
HSBC Securities Inc	6,535	13.9%	Brazil Cetip Interbank Deposit	1/6/2017			(1)	-
HSBC Securities Inc	4,893	12.2%	Brazil Cetip Interbank Deposit	1/4/2021			(8)	-
HSBC Securities Inc	2,189	Brazil Cetip Interbank Deposit	13.8%	4/1/2016			(7)	-
HSBC Securities Inc	585	3-month Johannesburg (JIBAR)	7.5%	12/17/2024			(29)	-
HSBC Securities Inc	579	Brazil Cetip Interbank Deposit	12.8%	1/4/2021			6	-
HSBC Securities Inc	483	Brazil Cetip Interbank Deposit	11.5%	1/4/2021			(14)	-
HSBC Securities Inc	477	6-month LIBOR-Thai Baht	2.5%	1/28/2025			(10)	-
HSBC Securities Inc	442	Colombia IBR Overnight Interbank	6.2%	3/21/2024			3	4

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(Dollars in Thousands)

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/ Selling Protection	Pay/ Receive Rate	Fair Value 2015	Fair Value 2014
Interest Rate Swaps *(continued)* **:**								
HSBC Securities Inc	382	Mexico Interbank 28-day Index	5.5%	2/22/2023			(13)	(19)
HSBC Securities Inc	290	Brazil Cetip Interbank Deposit	12.1%	1/4/2021			(2)	13
HSBC Securities Inc	186	6-month Warsaw Interbank	2.8%	12/17/2024			(3)	-
HSBC Securities Inc	150	6.4%	Colombia IBR Overnight Interbank	7/2/2025			(1)	-
HSBC Securities Inc	110	6-month LIBOR-Thai Baht	2.1%	1/28/2020			2	-
HSBC Securities Inc	2,158	Mexico Interbank 28-day Index	5.8%	6/5/2023			-	(32)
UBS AG	11,106	Brazil Cetip Interbank Deposit	12.6%	1/4/2021			125	326
UBS AG	8,853	10.9%	Brazil Cetip Interbank Deposit	1/2/2017			268	-
UBS AG	3,509	11.7%	Brazil Cetip Interbank Deposit	1/4/2021			74	-
UBS AG	2,801	Brazil Cetip Interbank Deposit	11.6%	1/2/2018			(83)	-
UBS AG	1,370	Mexico Interbank 28-day Index	5.6%	10/11/2021			(9)	-
UBS AG	966	Brazil Cetip Interbank Deposit	9.1%	1/2/2017			(66)	(48)
UBS AG	191	5.3%	Mexican Interbank Equlibrium	9/6/2019			1	2
UBS AG	6,577	Brazil Cetip Interbank Deposit	12.4%	1/2/2018			(88)	-
UBS AG	11,169	Mexico Interbank 28-day Index	5.6%	10/11/2021			-	433
Total Interest Rate Swaps	730,095						3,491	257
Return Swaps:								
Goldman Sachs Group Inc	186,653	3-month LIBOR + 42 bps	MSCI ACWI	7/16/2015			(5,306)	-
Goldman Sachs Group Inc	226,219	3-month LIBOR + 42 bps	MSCI ACWI	7/16/2015			(6,430)	-
Goldman Sachs Group Inc	150,616	3-month LIBOR + 42 bps	MSCI ACWI IMI	7/16/2015			(4,281)	-
Goldman Sachs Group Inc	150,120	3-month LIBOR + 42 bps	MSCI ACWI IMI	7/16/2015			(2,832)	-
Goldman Sachs Group Inc	142,767	3-month LIBOR + 42 bps	MSCI Daily Small Cap	8/20/2014			-	11,702
Goldman Sachs Group Inc	32,278	3-month LIBOR	Kuraray Co. Ltd.	8/20/2014			-	(471)
Goldman Sachs Group Inc	5,533	3-month LIBOR	Shionogi Co. Ltd.	8/20/2014			-	(727)
Goldman Sachs Group Inc	5,321	3-month LIBOR	MSAD Insurance Group	8/20/2014			-	(193)
Goldman Sachs Group Inc	5,085	3-month LIBOR	Canon Inc.	8/20/2014			-	65
Goldman Sachs Group Inc	4,684	3-month LIBOR	Itochu Corp.	8/20/2014			-	(555)
Goldman Sachs Group Inc	4,638	3-month LIBOR	Trend Micro Inc.	8/20/2014			-	(253)
Goldman Sachs Group Inc	4,582	3-month LIBOR	Takeda Pharmaceutical	8/20/2014			-	(210)
Goldman Sachs Group Inc	4,491	3-month LIBOR	Daiichi Sankyo Co.	8/20/2014			-	(500)
Goldman Sachs Group Inc	4,428	3-month LIBOR	Dai Nippon Printing	8/20/2014			-	(375)
Goldman Sachs Group Inc	4,409	3-month LIBOR	Asahi Glass Co. Ltd.	8/20/2014			-	(240)
Goldman Sachs Group Inc	4,325	3-month LIBOR	Eisai Co. Ltd.	8/20/2014			-	(159)
Goldman Sachs Group Inc	4,166	3-month LIBOR	Mitsui Co. Ltd.	8/20/2014			-	(319)
Goldman Sachs Group Inc	4,166	3-month LIBOR	NKSJ Holdings Inc.	8/20/2014			-	(142)
Goldman Sachs Group Inc	4,164	3-month LIBOR	Sumitomo Corp.	8/20/2014			-	(256)
Goldman Sachs Group Inc	4,031	3-month LIBOR	Shiseido Co. Ltd.	8/20/2014			-	(392)
Goldman Sachs Group Inc	3,878	3-month LIBOR	Mitsubishi Corp.	8/20/2014			-	(282)
Goldman Sachs Group Inc	3,795	3-month LIBOR	Fast Retailing Co. Ltd.	8/20/2014			-	(1,577)
Goldman Sachs Group Inc	3,703	3-month LIBOR	Sharp Corp.	8/20/2014			-	(391)
Goldman Sachs Group Inc	3,001	3-month LIBOR	Nippon Telegraph	8/20/2014			-	(351)
Goldman Sachs Group Inc	2,746	3-month LIBOR	Marubeni Corp.	8/20/2014			-	(250)
Goldman Sachs Group Inc	2,741	3-month LIBOR	JX Holdings Inc.	8/20/2014			-	(197)
Goldman Sachs Group Inc	2,676	3-month LIBOR	Alps Electric Co. Ltd.	8/20/2014			-	(724)
Goldman Sachs Group Inc	2,290	3-month LIBOR	Sumitomo Mitsui Trust	8/20/2014			-	(272)
Goldman Sachs Group Inc	2,274	3-month LIBOR	Nippon Electric Glass	8/20/2014			-	(410)
Goldman Sachs Group Inc	2,241	3-month LIBOR	Sumitomo Mitsui Financial	8/20/2014			-	(224)
Goldman Sachs Group Inc	2,211	3-month LIBOR	Showa Shell Sekiyu	8/20/2014			-	(384)
Goldman Sachs Group Inc	2,013	3-month LIBOR	Oji Paper Co. Ltd.	8/20/2014			-	10
Goldman Sachs Group Inc	1,905	3-month LIBOR	Sumitomo Chemical Co.	8/20/2014			-	(66)
Goldman Sachs Group Inc	1,693	3-month LIBOR	NTN Corp.	8/20/2014			-	(495)
Goldman Sachs Group Inc	1,634	3-month LIBOR	Aozora Bank Ltd.	8/20/2014			-	(174)
Goldman Sachs Group Inc	1,409	3-month LIBOR	Denki Kagaku Kogyo	8/20/2014			-	(127)
Goldman Sachs Group Inc	1,075	3-month LIBOR	Mizuho Financial Group	8/20/2014			-	(55)
Goldman Sachs Group Inc	1,054	3-month LIBOR	NTT Docomo Inc.	8/20/2014			-	(57)
Goldman Sachs Group Inc	908	3-month LIBOR	Mitsui Engineering & Shipbuilding	8/20/2014			-	(212)
Goldman Sachs Group Inc	799	3-month LIBOR	Chubu Electric Power	8/20/2014			-	(55)
Goldman Sachs Group Inc	790	3-month LIBOR	Toyobo Co. Ltd.	8/20/2014			-	(64)
Goldman Sachs Group Inc	753	3-month LIBOR	Kansai Electric Power	8/20/2014			-	(8)
Goldman Sachs Group Inc	513	3-month LIBOR	Nippon Suisan Kaisha	8/20/2014			-	(137)
Goldman Sachs Group Inc	2	3-month LIBOR + 42 bps	MSCI ACWI	9/24/2014			-	-
Total Return Swaps	998,780						(18,849)	473
Total Swaps	$ 1,998,015						$ (17,590)	$ 3,442

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 $239.1 million notional value and a fair value of negative $224,949 as of June 30, 2015. This amount is reported as part of investment losses and other liabilities.

Hedging Derivative Instruments

In April 2015, the University of Virginia (UVA) (nonmajor) refunded the Series 2003A bonds and the commercial paper associated with the fixed-payer interest rate swaps which terminated hedge accounting. The fixed-payer interest rate swaps are no longer effective hedges. At the time of termination, the accumulated change in fair value of the swaps was negative $38.2 million and was included in the calculation of the deferred loss on refunding. At June 30, 2015, the negative fair value of the swaps of $28.9 million is included in other liabilities and the change in fair value of $9.3 million was reported as investment earnings in the accompanying financial statements. During fiscal year 2015, UVA established two fixed-receiver interest rate swaps with a total notional amount of $128.0 million to provide a hedge against fixed interest rates on Series 2015B bonds and these are considered effective hedges. At June 30, 2015, the negative fair value of the fixed-receiver interest rate swaps of $648,468 is included in other liabilities and the cumulative change in fair value of these swaps of $648,468 is included in deferred outflows of resources in the accompanying financial statements.

At June 30, 2015, the Virginia Commonwealth University (VCU) (nonmajor) had two fixed-payer interest rate swaps with a notional amount of $60.3 million, which declines to $4.8 million at the termination date of November 1, 2030. The swaps are used as cash flow hedges by VCU in order to provide a hedge against changes in interest rates on variable rate Series 2012A and 2012B bonds. The Series 2012A and 2012B bonds refunded prior Series 2006A and 2006B bonds that resulted in the termination of the prior hedging relationship between the interest rate swaps and the 2006A and 2006B bonds. At the time of the refunding in November 2012, the accumulated change in fair value of the interest rate swaps was negative $14.1 million and was included in the calculation of the deferred loss on refunding. There was also a reestablishment of hedge accounting on the new debt. At June 30, 2015, the negative fair value of VCU's swaps of $9.3 million is included in other liabilities and the cumulative change in fair value of VCU's swaps of $4.8 million is included in deferred inflows of resources in the accompanying financial statements.

At June 30, 2015, the Medical College of Virginia Hospitals (MCVH), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), had two interest rate swap agreements with a notional amount of $119.9 million and another interest rate swap agreement with a notional amount of $68.2 million. The swaps are used as cash flow hedges by MCVH in order to provide a hedge against changes in interest rates on variable rate Series 2013A and 2013B bonds. The Series 2013A and 2013B bonds refunded prior Series 2005 and 2008 bonds that resulted in the termination of the prior hedging relationship between the interest rate swaps and the Series 2005 and 2008 bonds. At the time of the refunding in June 2013, the accumulated change in fair value of the interest rate swaps was negative $42.1 million and was included in the calculation of the deferred loss on refunding. There was also a reestablishment of hedge accounting on the new debt. At June 30, 2015, the negative fair value of MCVH's swaps of $47.5 million is included in other liabilities and the cumulative change in fair value of MCVH's swaps of $5.4 million is included in deferred outflows of resources in the accompanying financial statements.

The following schedule shows debt service requirements of UVA, VCU, and MCVH bonds payable debt of $355.6 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	Interest	Derivative Instruments, Net	Total
2016	$ 4,995,000	$ 5,981,399	$ 7,559,547	$ 18,535,946
2017	5,700,000	6,891,093	7,388,913	19,980,006
2018	5,930,000	6,845,270	7,194,564	19,969,834
2019	6,095,000	6,798,064	6,992,318	19,885,382
2020	6,395,000	6,748,600	6,784,587	19,928,187
2021-2025	146,940,000	14,958,361	35,214,068	197,112,429
2026-2030	66,500,000	5,020,433	27,712,254	99,232,687
2031-2035	67,630,000	2,352,743	15,911,642	85,894,385
2036-2040	45,370,000	297,314	3,414,115	49,081,429
Total	$ 355,555,000	$ 55,893,277	$ 118,172,008	$ 529,620,285

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 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 2015 were $3.1 billion with a reserve balance available for benefits of $64.0 billion. At June 30, 2015, the VRS had 827 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 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 retirement 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 2015 were $34.1 million, $34.7 million, and $79.2 million, and reserved balances available for benefits were $733.4 million, $456.5 million, and $1.2 billion, for SPORS, JRS, and VaLORS, respectively. State statute may be amended only by the General Assembly. To the extent that the employer's long-term obligation to provide pension benefits (total pension liability) is larger than the value of the assets available in the plan to pay these benefits (fiduciary net position), there is a net pension liability which is reported in the accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

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

The following table provides participant information.

	VRS	SPORS	VaLORS	JRS
Retirees and Beneficiaries Receiving Benefits	52,521	1,234	3,781	497
Terminated Employees Entitled to Benefits but not Receiving Them	10,447	108	584	3
Total	62,968	1,342	4,365	500
Active Members:				
Vested	55,637	1,510	5,746	328
Non-Vested	22,567	490	3,033	76
Total	78,204	2,000	8,779	404

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 2015 were based on the actuary's valuation as of June 30, 2013. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 12.3 percent, 25.8 percent, 17.7 percent, and 51.7 percent, respectively. These rates were lower than the actuary's recommended rates to VRS, SPORS, VaLORS, and JRS of 15.8 percent, 30.8 percent, 21.1 percent, and 57.8 percent, respectively.

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

E. Changes in Net Pension Liability

The Commonwealth implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* during fiscal year 2015. The total pension liability was determined based on the actuarial valuation as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. The following disclosures have been added, as well as new Required Supplementary Information schedules.

The following tables (dollars in thousands) show the Commonwealth's total pension liability, plan fiduciary net position, and net pension liability for the VRS, SPORS, JRS, and VaLORS for the current and prior years.

Primary Government

	VRS Increase (Decrease)			SPORS Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 11,856,894	$ 8,161,556	$ 3,695,338	$ 996,690	$ 625,562	$ 371,128
Changes for the year						
Service cost	207,731	-	207,731	18,341	-	18,341
Interest	808,180	-	808,180	67,977	-	67,977
Differences between expected and actual experience	-	-	-	-	-	-
Contributions - employer	-	193,177	(193,177)	-	42,683	(42,683)
Contributions - employee	-	111,448	(111,448)	-	5,646	(5,646)
Net investment income	-	1,262,865	(1,262,865)	-	98,682	(98,682)
Benefit payments, including refunds	(622,936)	(622,936)	-	(51,152)	(51,152)	-
Administrative expense	-	(6,945)	6,945	-	(431)	431
Other changes	-	69	(69)	-	-	-
Net changes	392,975	937,678	(544,703)	35,166	95,428	(60,262)
Balances at June 30, 2015	$ 12,249,869	$ 9,099,234	$ 3,150,635	$ 1,031,856	$ 720,990	$ 310,866

	JRS Increase (Decrease)			VaLORS Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 590,626	$ 388,835	$ 201,791	$ 1,616,994	$ 920,785	$ 696,209
Changes for the year						
Service cost	24,024	-	24,024	43,164	-	43,164
Interest	40,014	-	40,014	110,491	-	110,491
Differences between expected and actual experience	-	-	-	-	-	-
Contributions - employer	-	27,727	(27,727)	-	62,636	(62,636)
Contributions - employee	-	3,051	(3,051)	-	16,622	(16,622)
Net investment income	-	60,833	(60,833)	-	145,526	(145,526)
Benefit payments, including refunds	(37,984)	(37,984)	-	(77,111)	(77,111)	-
Administrative expense	-	(268)	268	-	(632)	632
Other changes	-	-	-	-	-	-
Net changes	26,054	53,359	(27,305)	76,544	147,041	(70,497)
Balances at June 30, 2015	$ 616,680	$ 442,194	$ 174,486	$ 1,693,538	$ 1,067,826	$ 625,712

Component Units

	VRS Increase (Decrease)			VaLORS Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 9,211,757	$ 6,340,806	$ 2,870,951	$ 125,116	$ 71,246	$ 53,870
Changes for the year						
Service cost	161,389	-	161,389	3,340	-	3,340
Interest	627,884	-	627,884	8,549	-	8,549
Differences between expected and actual experience	-	-	-	-	-	-
Contributions - employer	-	150,082	(150,082)	-	4,847	(4,847)
Contributions - employee	-	86,586	(86,586)	-	1,286	(1,286)
Net investment income	-	981,134	(981,134)	-	11,260	(11,260)
Benefit payments, including refunds	(483,966)	(483,966)	-	(5,966)	(5,966)	-
Administrative expense	-	(5,396)	5,396	-	(49)	49
Other changes	-	54	(54)	-	-	-
Net changes	305,307	728,494	(423,187)	5,923	11,378	(5,455)
Balances at June 30, 2015	$ 9,517,064	$ 7,069,300	$ 2,447,764	$ 131,039	$ 82,624	$ 48,415

The amounts in the previous tables include governmental and component unit activity for the Commonwealth's VRS State Plan. The table also excludes the non-VRS State Plan net pension liability of $41.5 million for all other component units and includes the fiduciary net pension liability of $3.3 million.

The 2014 actuarial valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 7.0 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.0 percent, including a 2.5 percent inflation component and (c) COLA of 2.5 percent for Plan 1 and 2.3 percent for Plan 2. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

F. Changes to and Sensitivity of Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia* (1950), as amended. Based in those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. In accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers' net pension liability for each of the plans calculated using the discount rate of 7.0 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.0 percent lower (6.0 percent) or 1.0 percent higher (8.0 percent) than the current rate. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate.

Primary Government

VRS			SPORS		
Net Pension Liability			Net Pension Liability		
1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
$ 4,615,433	$ 3,150,635	$ 1,922,363	$ 434,119	$ 310,866	$ 207,412

JRS			VaLORS		
Net Pension Liability			Net Pension Liability		
1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
$ 230,771	$ 174,486	$ 125,641	$ 854,988	$ 625,712	$ 437,200

Component Units

VRS			VaLORS		
Net Pension Liability			Net Pension Liability		
1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
$ 3,585,662	$ 2,447,764	$ 1,493,604	$ 66,151	$ 48,415	$ 33,833

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on June 20, 2013. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation are summarized in the following table.

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.5%	6.5%	1.3%
Developed Non U.S Equity	16.5%	6.3%	1.0%
Emerging Market Equity	6.0%	10.0%	0.6%
Fixed Income	15.0%	0.1%	0.0%
Emerging Debt	3.0%	3.5%	0.1%
Rate Sensitive Credit	4.5%	3.5%	0.2%
Non Rate Sensitive Credit	4.5%	5.0%	0.2%
Convertibles	3.0%	4.8%	0.1%
Public Real Estate	2.2%	6.1%	0.1%
Private Real Estate	12.8%	7.1%	0.9%
Private Equity	12.0%	10.4%	1.3%
Cash	1.0%	-1.5%	0.0%
Total	100.0%		5.8%
		Inflation	2.5%
	* Expected arithmetic nominal return		8.3%

The allocation in the previous table provides a one-year expected return of 8.3 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.4 percent, including expected inflation of 2.5 percent.

G. Pension Related Deferred Outflows and Deferred Inflows

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, require certain pension related items to be reported as either deferred outflows or deferred inflows of resources. The following table (dollars in thousands) summarizes these amounts as of June 30, 2015.

Primary Government

	VRS		SPORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	-	578,735	-	44,006
Changes in proportion and difference between employer contributions and proportionate share of contributions	42,240	44,879	-	-
Employer contributions subsequent to the Measurement Date	270,918	-	28,417	-
Total	$ 313,158	$ 623,614	$ 28,417	$ 44,006

	JRS		VALORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	-	27,102	-	63,975
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	-	10,796	10,623
Employer contributions subsequent to the Measurement Date	31,561	-	55,359	-
Total	$ 31,561	$ 27,102	$ 66,155	$ 74,598

Component Units

	VRS		VaLORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	-	420,511	-	5,855
Changes in proportion and difference between employer contributions and proportionate share of contributions	35,270	32,632	799	972
Employer contributions subsequent to the Measurement Date	207,317	-	4,465	-
Total	$ 242,587	$ 453,143	$ 5,264	$ 6,827

Additionally, during fiscal year 2015, the Commonwealth recognized pension expense for primary government and component units of $315,517 (dollars in thousands) and $174,347 (dollars in thousands), respectively. The component unit amounts include deferred outflows of resources and deferred inflows of resources of $4,604 (dollars in thousands) and $13,169 (dollars in thousands), respectively, not related to the VRS State Plan.

Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's pension expense for each of the next five fiscal years.

Primary Government

	VRS	SPORS	JRS	VaLORS
2016	$ (144,684)	$ (11,001)	$ (6,775)	$ (15,994)
2017	(144,684)	(11,001)	(6,775)	(15,994)
2018	(144,684)	(11,001)	(6,775)	(15,994)
2019	(144,683)	(11,003)	(6,777)	(15,993)
2020	-	-	-	-

Component Units

	VRS	VaLORS
2016	$ (105,128)	$ (1,464)
2017	(105,128)	(1,464)
2018	(105,128)	(1,464)
2019	(105,127)	(1,463)
2020	-	-

H. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the ICMARC. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's 12.3 percent and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2015, the total contributions to this plan were $1.3 million.

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

I. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. At June 30, 2015, there were four participants in this plan. Total contributions to the plan for fiscal year 2015 were $79,811.

J. Virginia Supplemental Retirement Plan

The Public School Teacher Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to 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, 2015, there were two participants in this plan. There were no contributions to the plan for fiscal year 2015.

K. 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 Section 51.1-126 of the *Code of Virginia* rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments Tax-Exempt Services Company. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent not to exceed 8.9 percent contribution and the employee's 5.0 percent contribution, plus net investment gains. For Plan 2, the employer contributions for fiscal year 2015 were 8.5 percent except the employer contributions for the University of Virginia (nonmajor) were 8.9 percent. Vesting is full and immediate for both employer and employee contributions. For fiscal year 2015, total pension expense recognized was $137.4 million. For fiscal year 2015, contributions were calculated using the base salary amount of $1.4 billion.

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

Prior to July 1, 1997, certain employees of the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University – nonmajor) were eligible to participate in the VRS pension plan.

Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan. The Authority and the MCV Associated Physicians (MCVAP – a component unit of the Authority) sponsor the VCUHS Savings Plan (VCUHS 457(b) plan). MCVAP also sponsors the VCUHS 401(a) Retirement Plan and the MCVAP 401(a) Retirement Plan. VA Premier (a component unit of the Authority) adopted a 401(k) plan. For information regarding these plans, see the Authority's individually published financial statements.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. 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. For information regarding this plan, see the University's individually published financial statements.

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

L. Other Component Units

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

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

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

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

The Virginia Port Authority (VPA) (nonmajor) maintains two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of continuing to maintain their benefit status as a State employee, and their benefits maintained under the VRS, or elect to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired between July 1, 1997 and February 1, 2014. Employees hired after February 1, 2014 are eligible for a defined contribution plan only. The Virginia International Terminals (VIT) (a blended component unit of VPA – nonmajor) has a Virginia International Terminals, LLC Pension Plan that is a single employer, noncontributory defined benefit pension plan administered by VIT. VIT also sponsors noncontributory supplemental plans covering certain key employees. For information regarding this plan, see the Authority's individually published financial statements.

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

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. For additional information regarding this plan, see the Foundation's individually published financial statements.

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 358,323 members participate in the program at June 30, 2015.

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 $750,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for $10,000, $20,000 or $30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 66,882 members were covered under this program at June 30, 2015.

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 73,986 members were covered under the program at June 30, 2015.

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 2015, there were no monies appropriated for administration of the program. At June 30, 2015, there were 1,789 workers participating in the fund.

17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Virginia Retirement System (The System) Administered Plans

The Governmental 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, 2014, by Millman, Inc. for the long-term care component of the Disability Insurance Trust Fund and by Cavanaugh MacDonald Consulting, LLC, and are presented in the Required Supplemental Schedule of Funding Progress for Other Postemployment Benefit Plans. The significant accounting policies for all five plans are the same as those described in Note 15 for pension plans and a separately issued report is available as previously discussed.

Group Life Insurance Benefits

Employees who retire or terminate from service after age 50 with at least ten years of service credit or at age 55 with at least five years of service credit (age 50 for vested state police officers, other state law enforcement and correctional officers and hazardous duty employees of participating political subdivisions), or who retire because of disability, are entitled to postemployment group life insurance benefits. Employees enrolled in JRS who retire or terminate from service after age 60 with at least 30 years of service credit or at age 65 with at least five years of service credit are entitled to postemployment group life insurance benefits. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25.0 percent on January 1 of the first full calendar year following retirement or termination and on January 1 of each year thereafter, until it reaches 25.0 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia*. There were approximately 163,482 retirees in the Basic Group Life Insurance Program and 2,764 retirees were covered under the Optional Group Life Insurance Program in fiscal year 2015.

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

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

Retiree Health Insurance Credit Program

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The amount required to fund all credits is financed by the employers based on contribution rates determined by the System's actuary. Approximately 112,053 retired members were covered under this program at June 30, 2015. 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 2,860 former members receiving

benefits from the program during fiscal year 2015. 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 937 retirees and 945 other participants in the program in fiscal year 2015. 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 2015, the System collected contributions for eligible employees and implemented the structure for administering the program going forward. At June 30, 2015, there were 5,666 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 6,835 retirees in the program in fiscal year 2015.

C. Annual OPEB Cost and Net OPEB Obligation

The Governmental 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, 2015 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 $182.3 million, $191.1 million, and $1.1 billion, respectively. These amounts are reported in the accompanying financial statements as a component of Long-Term Liabilities Due in More than One year. There is no liability for the Group Life Insurance Fund or Line of Duty Death and Disability.

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

	Group Life Insurance Fund			Retiree Health Insurance Credit Fund		
	2015	2014	2013	2015	2014	2013
Annual required contribution	$ 63,778	$ 63,250	$ 60,457	$ 81,253	$ 72,322	$ 67,804
Interest on net OPEB obligation	-	-	-	11,437	10,515	9,626
Adjustment to annual required contribution	-	-	-	(9,911)	(9,092)	(8,336)
Annual OPEB cost	63,778	63,250	60,457	82,779	73,745	69,094
Contributions made	(63,778)	(63,250)	(60,457)	(64,025)	(60,219)	(56,636)
Increase in net OPEB obligation	-	-	-	18,754	13,526	12,458
Net OPEB obligation, beginning of year	-	-	-	163,552	150,026	137,568
Net OPEB obligation, end of year	$ -	$ -	$ -	$ 182,306	$ 163,552	$ 150,026
Percentage of annual OPEB cost contributed	100.0%	100.0%	100.0%	77.3%	81.7%	82.0%

	Disability Insurance Trust Fund			Line of Duty Death and Disability		
	2015	2014	2013	2015 (3)	2014 (2)	2013 (1)
Annual required contribution	$ 36,831	$ 30,302	$ 29,862	$ 6,122	$ 6,486	$ 5,925
Interest on net OPEB obligation	12,315	11,262	10,247	-	-	-
Adjustment to annual required contribution	(10,681)	(9,763)	(8,900)	-	-	-
Annual OPEB cost	38,465	31,801	31,209	6,122	6,486	5,925
Contributions made	(23,642)	(16,644)	(16,986)	(6,122)	(6,486)	(5,925)
Increase in net OPEB obligation	14,823	15,157	14,223	-	-	-
Net OPEB obligation, beginning of year	176,273	161,116	146,893	-	-	-
Net OPEB obligation, end of year	$ 191,096	$ 176,273	$ 161,116	$ -	$ -	$ -
Percentage of annual OPEB cost contributed	61.5%	52.3%	54.4%	100.0%	100.0%	100.0%

	Pre-Medicare Retiree Healthcare		
	2015	2014	2013
Annual required contribution	$ 206,590	$ 198,451	$ 182,566
Interest on net OPEB obligation	36,398	30,013	23,274
Adjustment to annual required contribution	(37,762)	(31,007)	(24,117)
Annual OPEB cost	205,226	197,457	181,723
Contributions made	(35,028)	(34,229)	(15,479)
Increase in net OPEB obligation	170,198	163,228	166,244
Net OPEB obligation, beginning of year	911,695	748,467	582,223
Net OPEB obligation, end of year	$ 1,081,893	$ 911,695	$ 748,467
Percentage of annual OPEB cost contributed	17.1%	17.3%	8.5%

(1) 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.
(2) 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.
(3) During fiscal year 2015, the required annual contributions of $6.1 million were paid by the Commonwealth.

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 $2.0 million, $1.1 million, $349,553, and $56,475, respectively. The table also excludes non-Commonwealth sponsored OPEB liabilities of $48.5 million for all other component units and includes the fiduciary OPEB liability of $589,370.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2013, 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 0.7 percent, respectively, of covered payrolls for fiscal year 2015. 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 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, 2013, was 30 years.

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, per the most recent actuarial valuation, was as follows:

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
			Group Life Insurance Fund			
2014	$ 992	$ 2,701	$ 1,709	36.7%	$ 17,559	9.7%
			Retiree Health Insurance Credit Fund			
2014	$ 162	$ 2,334	$ 2,172	7.0%	$ 14,956	14.5%
			Disability Insurance Trust Fund			
2014	$ 380	$ 239	$ (141)	159.0%	$ 3,585	(3.9%)
			Line of Duty Death and Disability			
2014	$ 7	$ 226	$ 219	3.1%	N/A	N/A
			Pre-Medicare Retiree Healthcare			
2014	$ -	$ 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 (Nonmajor Component Unit)

The University of Virginia 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, 2015, the Authority's Annual OPEB cost was $231,871; the percentage of Annual OPEB Cost Contributed was 511.0 percent; and the ending Net OPEB asset was $3.1 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 2015, 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, 2015, the Authority's annual OPEB cost was $48,800; contribution towards OPEB cost was $270,227; the percentage of annual OPEB cost contributed was 553.7 percent; and the ending net OPEB asset was $26,718.

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 at June 30, 2015, of $2.1 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, 2015, was $369.8 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 2015 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 $13.7 million for fiscal year 2015.

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 $2.5 million for fiscal year 2015.

The Virginia Housing Development Authority (major component unit) and the Virginia Resources Authority (major component unit) have deferred compensation plans available to all employees created in accordance with Internal Revenue Section 457(b). The plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the 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. 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. The VPA's total contribution to the matching savings plan was $115,081 for the fiscal year ended June 30, 2015. Employees transferring to the VPA from Virginia International Terminals, LLC (VIT) (a blended component unit of the VPA), as part of the Port of Virginia (POV) restructure or shared services agreement, that had been hired by the VIT prior to July 1, 2012, and were active participants of the VIT's pension plan at the time of the transfer, and are not eligible for the Enhanced Defined Contribution plan, are eligible for a matching contribution in an amount equal to half of the first 3.0 percent of compensation contributed to the deferred compensation plan. The VPA's total contribution to the matching savings plan for the VIT plan participants was $15,915 for the fiscal year ended June 30, 2015. 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. The VPA's total contribution to the matching savings plan was $366,389 for the fiscal year ended June 30, 2015.

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 $2.2 billion are not included in the financial statements.

20. COMMITMENTS

A. Construction Projects

Primary Government

Highway Projects

At June 30, 2015, the Department of Transportation had contractual commitments of approximately $3.6 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 $905.0 million, (2) state funds – approximately 68.0 percent or $2.4 billion, and (3) Proceeds from Bonds – approximately 7.0 percent or $254.0 million.

Mass Transit Projects

At June 30, 2015, the Department of Rail and Public Transportation had contractual commitments of approximately $315.2 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 65.3 percent or $206.0 million, and 2) Federal funds – approximately 34.7 percent or $109.2 million.

Wastewater Treatment Projects

At June 30, 2015, 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 $102.6 million provided by bond proceeds and the Water Quality Improvement Fund.

Other Construction Projects

At June 30, 2015, the Department of Behavioral Health and Developmental Services had construction commitments of approximately $45.4 million.

At June 30, 2015, the Department of General Services had construction commitments of approximately $33.8 million for renovations to the Ninth Street Office Building.

At June 30, 2015, the Department of Conservation and Recreation had construction commitments of approximately $15.4 million.

At June 30, 2015, the Department of Forensic Science had contractual commitments of approximately $12.7 million and non-contractual commitments of $920,998 for construction contracts.

At June 30, 2015, the Department of Veterans Services had construction commitments of approximately $7.7 million for an addition to the Sitter and Barfoot Veterans Care Center.

At June 30, 2015, the Jamestown-Yorktown Foundation had construction commitments of approximately $7.3 million for the Yorktown Museum Project.

At June 30, 2015, the Department of Military Affairs had construction commitments of approximately $4.7 million.

Component Units

Port Projects

At June 30, 2015, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling $93.6 million.

Wallops Island Project

At June 30, 2015, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling $11.0 million.

Treatment Plant

At June 30, 2015, the Hampton Roads Sanitation District Commission (nonmajor) was committed to construction contracts totaling $166.8 million.

Higher Education Institutions

Colleges and universities (nonmajor) had contractual commitments as of June 30, 2015, of approximately $762.8 million primarily for construction contracts. Higher education foundations' commitments total approximately $36.0 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, 2015, was $68.8 million for governmental activities (including internal service funds) and $25.5 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2015, was $153.5 million. The Commonwealth has, as of June 30, 2015, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units (1)
2016	$ 61,721	$ 23,012	$ 123,204
2017	47,541	17,782	112,221
2018	39,573	13,539	106,638
2019	32,144	9,485	97,073
2020	24,088	5,746	91,020
2021-2025	64,263	9,771	459,206
2026-2030	5,181	-	522,166
2031-2035	1,003	-	3,388
2036-2040	23	-	823
2041-2045	23	-	823
2046-2050	23	-	659
Total	$ 275,583	$ 79,335	$ 1,517,221

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

	Foundations (2)
2016	$ 3,749
2017	2,173
2018	1,554
2019	1,322
2020	1,192
Thereafter	3,578
Total	$ 13,568

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2015, was approximately $4.5 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, 2015, amounted to $9.0 billion.

D. Virginia Transportation Infrastructure Bank

Section 33.2-1500 of the *Code of Virginia* states the Virginia Transportation Infrastructure Bank is intended to help alleviate a critical financing need for present and future highways within the Commonwealth. This includes toll facilities; mass transit; freight, passenger, and commuter rail; and port, airport and other transportation facilities. As of June 30, 2015, the Department of Transportation had $88.4 million in outstanding loans to the City of Chesapeake for the Dominion Boulevard Project and Loudoun County for the Pacific Boulevard Project coordinated through the Virginia Resources Authority.

E. Tobacco Grants

The Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) had $136.3 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2015, in accordance with GASB Statement No. 33.

The Virginia Foundation for Healthy Youth (nonmajor component unit) had $8.4 million in grant commitments and outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2015, in accordance with GASB Statement No. 33.

F. Other Commitments

Primary Government

At June 30, 2015, the Department of Corrections had contractual commitments of approximately $120.4 million and non-contractual commitments of approximately $150.0 million for detention services, medical care, and food services.

At June 30, 2015, the Department of Motor Vehicles had contractual commitments of approximately $31.8 million for security technology services.

At June 30, 2015, the Virginia Department of Health had commitments of approximately $26.4 million to localities, trauma centers, trainers, grants to rescue squads, and water supply assistance grants.

At June 30, 2015, the Virginia Employment Commission had contractual commitments of approximately $9.4 million and non-contractual commitments of approximately $7.7 million for an information systems modernization project. The agency also had $109,146 in other contractual commitments.

The Virginia College Savings Plan (major enterprise fund) administers the Virginia529 prePAID Program. At June 30, 2015, the Program had $240.0 million in private equity commitments.

The Virginia Wireless E-911 (nonmajor enterprise fund) had $4.7 million in outstanding grants awarded but not yet disbursed to localities as of June 30, 2015, 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 $402.3 million in commitments to fund new loans as of June 30, 2015, 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 $120.7 million in loan commitments to various localities and other governmental entities in the Commonwealth of Virginia as of June 30, 2015, 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 $3.5 million in loan commitments to banks and borrowers as of June 30, 2015, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

21. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

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

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

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

The liability at June 30, 2015, was computed using salary rates effective at that date, and represents vacation, compensatory, overtime, recognition, and sick leave earned, or disability credits held by employees, up to the allowable ceilings.

22. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of $12.0 million, of which $2.0 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 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, 2015:

- VDEM relating to cleanup of an emergency fuel storage facility
- DEQ relating to groundwater treatment and landfill clean-up
- VDOT relating to groundwater contamination
- DJJ relating to petroleum storage tank removal

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, 2015, $118.0 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.U. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2014-2015	$ 124,890	$ 1,215,569	$ (1,222,454)	$ 118,005
2013-2014	$ 116,432	$ 1,112,747	$ (1,104,289)	$ 124,890

(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, 2015, $651.4 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 3.0 percent. Undiscounted claims payable at June 30, 2015, is $960.4 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2014-2015	$ 624,543	$ 98,941	$ (72,063)	$ 651,421
2013-2014	$ 622,835	$ 71,103	$ (69,345)	$ 624,593

(1) Of the balance shown above, $83.2 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.

At June 30, 2015, the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) reports the following claims payable amounts: estimated workers' compensation claims of $21.5 million and estimated losses on malpractice claims of $2.8 million. MCV Associated Physicians (component unit of the Authority) reports claims payable of $23.1 million for estimated losses on malpractice claims. Virginia Premier Health Plan (component unit of the Authority) reports claims payable of $95.0 million for estimated medical claims payable. Additional information on claims payable can be found in the Authority's individually published financial statements.

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5.0 million per claim, but is obligated to pay the first $1.0 million of any individual's claims per incident. The Authority 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 $8.4 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 322 local government units participating in the pool. This includes 34 school districts, 42 counties, 117 cities/towns, and 129 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, 2015, $31.8 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, 2015, there were 489 units of local government in the pool, including 3 cities, 23 towns, and 29 counties. The remaining 434 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, 2015, $29.3 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, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$ 33,028	$ 31,225	$ 30,143	$ 27,404
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	327,910	293,514	(204)	204
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	(414)	2,261
Total Incurred Claims and Adjustment Expenses	327,910	293,514	(618)	2,465
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	329,099	291,711	922	367
Total Payments	329,099	291,711	922	367
Change in Provision for Discounts	-	-	669	641
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	$ 31,839	$ 33,028	$ 29,272	$ 30,143
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 31,839	$ 33,028	$ 31,551	$ 32,337

Note (1): The entire balance for Local Choice Health Care, $31,839 (dollars in thousands) is due within one year.
Note (2): Of the balance shown above for Risk Management, $7,429 (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, 2015.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	$ 186,710	$ 93,534	$ 20	$ -	$ -	$ 280,264
Major Special Revenue Funds:						
Commonwealth Transportation	295,987	29,714	3,292	-	-	328,993
Federal Trust	103,209	16,483	3,994	-	-	123,686
Literary	21	-	-	-	-	21
Nonmajor Governmental Funds	34,005	18,120	5,565	291	-	57,981
Major Enterprise Funds:						
Virginia Lottery (2)	6,472	1,312	-	4,181	-	11,965
Virginia College Savings Plan (2)	328	460	-	154	-	942
Unemployment Compensation	78	-	-	-	-	78
Nonmajor Enterprise Funds	38,281	5,645	-	-	-	43,926
Internal Service Funds	78,263	2,789	1,635	-	-	82,687
Private Purpose Trust Funds	217	160	-	2,487	-	2,864
Pension and Other Employee Benefit Trust Funds (3)	224	2,040	-	41,949	-	44,213
Agency Funds	1,968	-	-	4,134	-	6,102
Total Primary Government (4)	$ 745,763	$ 170,257	$ 14,506	$ 53,196	$ -	$ 983,722
Discrete Component Units:						
Virginia Housing Development Authority	$ 2,669	$ 2,062	$ -	$ 36,472	$ -	$ 41,203
Virginia Public School Authority	67	-	-	-	-	67
Virginia Resources Authority	215	7	-	-	-	222
Virginia College Building Authority	4	-	-	-	-	4
Nonmajor Component Units	549,342	433,903	42,945	19,720	101,348	1,147,258
Total Component Units	$ 552,297	$ 435,972	$ 42,945	$ 56,192	$ 101,348	$ 1,188,754

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 $25,969 (dollars in thousands) in investment management expense and $15,980 (dollars in thousands) in program benefit liabilities.
Note (4): Fiduciary liabilities of $53,179 (dollars in thousands) are not included in the Government-wide Statement of Net Position. In addition, governmental fund liabilities of $106,466 (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, 2015.

	Primary Government				
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	Virginia Lottery
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ 64,093
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	327,235	-	329,749	-	-
Family Access to Medical Insurance Security Payable	3,843	-	7,137	-	-
Accrued Interest Payable	-	-	-	-	-
Tax Refunds Payable	452,946	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	3,712	1,175	-	3,085	-
Car Tax Payable	263,025	-	-	-	-
Other Liabilities	369	-	-	412	-
Total Other Liabilities	$ 1,051,130	$ 1,175	$ 336,886	$ 3,497	$ 64,093

	Primary Government				
	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds (1)	Private Purpose Trust Funds
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ -
Due to Program Participants, Escrows, and Providers	1,058	37,663	-	-	3,786
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	300	-
Car Tax Refund Payable	-	-	-	-	-
Other Liabilities	-	-	139	917	-
Total Other Liabilities	$ 1,058	$ 37,663	$ 6,180	$ 1,217	$ 3,786

Note (1): The Other Liabilities amount of $917 (dollars in thousands) is due to third party clearing amounts that have decreased from the prior year due to the closing of an account therefore less timing issues with checks clearing the bank.

	Primary Government		
	Pension and Other Employee Benefit Trust Funds (2)	Agency Funds	Total Primary Government (3)
Lottery Prizes Payable	$ -	$ -	$ 64,093
Due to Program Participants, Escrows, and Providers	-	44,118	86,625
Medicaid Payable	-	-	656,984
Family Access to Medical Insurance Security Payable	-	-	10,980
Accrued Interest Payable	-	-	5,863
Tax Refunds Payable	-	-	452,946
Insurance Carrier Surety Deposit	-	438,824	438,824
Deposits Pending Distribution	-	78,171	86,621
Car Tax Refund Payable	-	-	263,025
Other Liabilities	307,834	1,956	311,627
Total Other Liabilities	$ 307,834	$ 563,069	$ 2,377,588

Note (2): Other Liabilities of $307,834 (dollars in thousands) reported in Pension and Other Employee Benefit Trust Funds are made up of $35,846 (dollars in thousands) in funds held for the Commonwealth Health Research Fund; $34,298 (dollars in thousands) in other funds managed by the System; $227,347 (dollars in thousands) in pending investment transactions, including $166,200 (dollars in thousands) in hedge fund margin collateral, $60,425 (dollars in thousands) for net foreign exchange contracts, $722 (dollars in thousands) in other investment payables; $2,034 (dollars in thousands) in other payables related to the System benefit plans; $2,901 (dollars in thousands) in foreign taxes payables related to the System benefit plans, and $5,408 (dollars in thousands) in interest and dividends payable related to the System benefit plans.

Note (3): Fiduciary liabilities of $874,689 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of $154,412 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

	Component Units					
	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units	Total Component Units
Accrued Interest Payable	$ 57,042	$ 58,331	$ 27,040	$ 80,568	$ 69,290	$ 292,271
Other Liabilities	225	-	21,104	-	222,350	243,679
Deposits Pending Distribution	-	-	-	-	444,942	444,942
Short-term Debt	464,600	-	-	-	117,161	581,761
Grants Payable	-	-	-	-	5,527	5,527
Total Other Liabilities	$ 521,867	$ 58,331	$ 48,144	$ 80,568	$ 859,270	$ 1,568,180

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, 2015, the estimated liability related to Medicaid claims totaled $657.0 million. Of this amount, $327.2 million is reflected in the General Fund (major governmental) and $329.8 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, 2015, the estimated liability related to claims totaled $11.0 million. Of this amount, $3.9 million is reflected in the General Fund (major governmental) and $7.1 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, 2014, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2015. 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 2015, the Commonwealth laid off 467 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 142 employees, and the remaining 325 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 2015 and will end no later than June 30, 2016. The benefit cost expended and the outstanding liability as of June 30, 2015 for governmental funds, are $4.5 million and $1.2 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 2015, 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 $117.1 million. Of this amount, $89.0 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 $464.6 million. The Library of Virginia Foundation (nonmajor component unit) has a $33,500 note with a related party.

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

26. LONG-TERM LIABILITIES

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

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

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

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

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

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

Total Long-term Liabilities
June 30, 2015

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Primary Government:		
Governmental Activities:(1)		
General Obligation Bonds: (2)		
9(b) Public Facilities (3)	$ 642,181	$ 60,795
9(c) Parking Facilities (3)	16,036	722
9(c) Transportation Facilities (3)	17,154	2,520
Total General Obligation Bonds	675,371	64,037
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	3,288,321	183,890
Virginia Public Building Authority (3)	2,623,447	160,470
Total Nongeneral Obligation Bonds	5,911,768	344,360
Other Long-term Obligations:		
Net Pension Liability	4,133,117	-
OPEB Liability	654,173	-
Compensated Absences	311,406	168,728
Capital Lease Obligations	57,948	12,941
Pollution Remediation Obligations	11,954	2,041
Notes Payable	307	192
Installment Purchase Obligations	113,373	12,290
Economic Development Authority Obligations (3)	51,249	5,590
Other Liabilities	33,155	4,800
Total Other Long-term Obligations	5,366,682	206,582
Total Governmental Activities (3)	11,953,821	614,979
Business-type Activities: (1) (5)		
Nongeneral Obligation Bonds - 9(d):		
Route 460 Funding Corporation of Virginia Bonds	320,110	320,110
Other Long-term Obligations:		
Net Pension Liability	125,294	-
OPEB Liability	22,051	-
Compensated Absences	10,123	5,426
Capital Lease Obligations	5,708	365
Tuition Benefits Payable	2,116,769	239,234
Lottery Prizes Payable	136,222	18,064
Total Other Long-term Obligations	2,416,167	263,089
Total Business-type Activities	2,736,277	583,199
Total Primary Government	14,690,098	1,198,178

Total Long-term Liabilities
June 30, 2015

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Component Units:		
General Obligation Bonds: (2)		
Higher Education Fund - 9(c) Bonds (3)	936,857	51,653
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	2,038,579	24,891
Virginia College Building Authority (3)	3,520,214	208,055
Virginia Port Authority (3) (6)	545,102	15,295
Virginia Housing Development Authority (3) (5)	4,498,847	240,617
Virginia Resources Authority (3) (7)	3,509,028	153,865
Virginia Public School Authority (3) (5)	3,551,741	234,559
Hampton Roads Sanitation District Commission (5)	748,397	28,135
Virginia Biotechnology Research Park Authority (3)	30,619	3,525
Foundations (5) (8)	999,302	30,359
Total Nongeneral Obligation Bonds	19,441,829	939,301
Other Long-term Obligations:		
Net Pension Liability (9) (10)	2,537,695	-
OPEB Liability (11)	830,507	-
Compensated Absences	288,320	206,034
Capital Lease Obligations	77,456	6,012
Notes Payable (5)	2,083,619	162,671
Installment Purchase Obligations	63,812	12,671
Trust and Annuity Obligations (5) (12)	1,752	-
Other Liabilities (5)	299,960	68,036
Total Other Long-term Obligations (Excluding Foundations)	6,183,121	455,424
Other Long-term Obligations (Foundations): (5) (8)		
Compensated Absences	14,596	11,382
Capital Lease Obligations	251	158
Notes Payable	272,503	7,623
Trust and Annuity Obligations (12)	80,377	5,266
Other Liabilities	318,919	18,981
Total Other Long-term Obligations - Foundations	686,646	43,410
Total Other Long-term Obligations	6,869,767	498,834
Total Component Units	27,248,453	1,489,788
Total Long-term Liabilities	$ 41,938,551	$ 2,687,966

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 $1.6 billion.
3. Amounts are net of any unamortized discounts and premiums.
4. This debt includes $736.2 million that is not supported by taxes.
5. This debt is not supported by taxes.
6. This debt includes $256.7 million that is not supported by taxes.
7. This debt is not supported by taxes; however, $877.9 million is considered moral obligation debt.
8. Foundations represent FASB reporting entities defined in Note 1.B.
9. This includes net pension liabilities that do not relate to the Virginia Retirement System's State Plan from the Hampton Roads Sanitation District Commission and the Virginia Port Authority of $27.5 million and $14.0 million, respectively. This debt is not supported by taxes.
10. This does not include net pension liabilities from fiduciary funds of $3.3 million.
11. This includes OPEB obligations that do not relate to the Virginia Retirement System from University of Virginia of $47.2 million and Virginia Port Authority of $1.4 million. It does not include OPEB obligations from fiduciary funds of $589,370.
12. 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 $17.2 million of Section 9(c) general obligation bonds and $3.3 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes $2.6 billion of Section 9(d) revenue bonds, $30.6 million of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes, and $705.6 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 $313.7 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.

On December 3, 2014, the Commonwealth Transportation Board issued $270.0 million of Commonwealth of Virginia Capital Projects Transportation Revenue Bonds, Series 2014. Series 2014 will be maturing in annual installments on May 15 in the years 2015 to 2039 and interest is payable on May 15 and November 15 at rates varying from 2.0 to 5.0 percent. The net proceeds of the Series 2014 bonds will be used to pay for the costs of certain transportation projects in the Commonwealth and certain costs related to the issuance of the 2014 bonds.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(c) bonds and 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $101.9 million for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds and Series 2009A Northern Virginia Transportation District Revenue Bonds.

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

Maturity	*Principal*	*Interest*	*Total*
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	2,950,000	240,600	3,190,600
2021-2025	3,065,000	122,600	3,187,600
Add:			
Unamortized Premium	429,382	-	429,382
Total	$ 17,154,382	$ 2,414,850	$ 19,569,232

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

Maturity	*Principal*	*Interest*	*Total*
2016	$ 183,890,000	$ 139,192,991	$ 323,082,991
2017	161,275,000	131,071,326	292,346,326
2018	168,210,000	123,382,794	291,592,794
2019	166,720,483	115,822,876	282,543,359
2020	148,703,337	107,904,646	256,607,983
2021-2025	755,510,875	433,296,809	1,188,807,684
2026-2030	656,465,576	255,612,440	912,078,016
2031-2035	566,315,000	118,131,088	684,446,088
2036-2040	182,420,000	13,146,475	195,566,475
Less:			
Unamortized Discount	(95,612)	-	(95,612)
Add:			
Accretion on Capital Appreciation Bonds	23,138,940	-	23,138,940
Unamortized Premium	275,767,391	-	275,767,391
Total	$ 3,288,320,990	$ 1,437,561,445	$ 4,725,882,435

Fairfax Economic Development Authority Obligations

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

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
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	6,795,000	1,032,250	7,827,250
2021-2025	13,850,000	1,028,250	14,878,250
Unamortized Premium	6,509,361	-	6,509,361
Total	$ 51,249,361	$ 9,274,750	$ 60,524,111

Route 460 Funding Corporation of Virginia Debt

At June 30, 2015, 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 $8.2 million of accreted value in Capital Appreciation bonds. No principal payments were required for fiscal year 2015; however, interest payments of $11.7 million were paid during fiscal year 2015. An interest payment of $5.9 million is due July 1, 2015, and is therefore recorded as accrued interest payable. The Route 460 Funding Corporation of Virginia issued $231.6 million of Toll Road Senior Revenues Bonds (Current Interest Bonds), Series 2012A. Under the original terms, Series 2012A would have matured in annual installments on July 1 in the years 2045 to 2052 and interest would have been 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 were to 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. The Route 460 Funding Corporation of Virginia also issued $61.8 million of Toll Road Senior Revenues Bonds (Capital Appreciation Bonds), Series 2012B. Under the original terms, the Series 2012B would have matured in annual installments on July 1 in the years 2024 to 2045. The Series 2012B Bonds would not bear current interest, but each Series 2012B would have accreted in value, compounded semiannually from its date of issuance on January 1 and July 1 at interest rates varying from 4.0 percent to 5.2 percent and interest would have been payable only upon maturity or early redemption date. The proceeds of the series 2012B bonds would have been 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.

As discussed in Note 31, the Corporation's continuing operations will cease during fiscal year 2016. As discussed in Note 41, the outstanding bonds were paid in September 2015; therefore, all amounts are reported as due within one year.

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

Maturity	Principal	Interest	Total
2016	$ 445,865,000	$ 5,862,956	$ 451,727,956
Less:			
Unaccreted Capital Appreciation Bonds	(144,345,011)	-	(144,345,011)
Add:			
Unamortized Premium	18,589,523	-	18,589,523
Total	$ 320,109,512	$ 5,862,956	$ 325,972,468

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2006B, Series 2007A, Series 2007B, Series 2008A, Series 2008B, Series 2009A, Series 2009D Refunding, Series 2009E, Series 2012A Refunding, Series 2013B Refunding, Series 2014B Refunding, and Series 2015B Refunding. Bonds were issued to fund construction projects for higher educational institutions, behavioral health, and/or park facilities. The Series 2009D bonds were issued to advance refund outstanding Series 2004A, Series 2005A, and Series 2006B bonds. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. The Series 2013B bonds were issued to advance refund outstanding Series 2005A, Series 2006B, Series 2007A, and Series 2007B. The Series 2014B bonds were issued to advance refund outstanding Series 2004B Refunding. The Series 2015B bonds were issued to advance refund certain maturities of outstanding Series 2007B, Series 2008A, and Series 2008B bonds. Principal and interest requirements for the current year totaled $94.6 million. The interest rates for all bonds range from 3.4 percent to 5.0 percent and the issuance dates range from November 15, 2006, to May 6, 2015. 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 $4.0 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
2016	$ 60,795,000	$ 26,422,473	$ 87,217,473
2017	53,110,000	23,565,345	76,675,345
2018	49,120,000	20,974,503	70,094,503
2019	48,220,000	18,718,147	66,938,147
2020	48,280,000	16,426,345	64,706,345
2021-2025	228,310,000	48,026,955	276,336,955
2026-2030	79,485,000	7,189,065	86,674,065
Add:			
Unamortized Premium	74,860,819	-	74,860,819
Total	$ 642,180,819	$ 161,322,833	$ 803,503,652

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 rate for these bonds is 5.0 percent, and the issuance dates range from October 21, 2009, to March 7, 2012. Current year principal and interest requirements totaled $1.6 million. The following schedule details the annual funding requirements necessary to repay these bonds.

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

Maturity	*Principal*	*Interest*	*Total*
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	1,035,000	526,860	1,561,860
2021-2025	5,559,045	1,818,064	7,377,109
2026-2030	4,025,000	515,250	4,540,250
Add:			
Unamortized Premium	1,880,172	-	1,880,172
Total	$ 16,036,310	$ 5,431,077	$ 21,467,387

Virginia Public Building Authority

Virginia Public Building Authority Section 9(d) bonds consist of 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, 2013B Refunding, 2014A, 2014B, 2014C Refunding, 2015A, and 2015B 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 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 Series 2014C bonds were issued to advance refund outstanding Series 2004A Refunding, 2004B, 2004C Refunding, and 2004D Refunding bonds, and certain maturities of the 2005C, 2006A, 2006B, and 2007A bonds. The interest rates for all fixed rate bonds range from 0.2 percent to 5.9 percent and the issuance dates range from March 1, 2005, to June 9, 2015. The Series 2005D bonds are variable rate bonds and the rates are reset weekly by the remarketing agent. Current year principal and interest requirements totaled $283.1 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 $81.3 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2010 Revenue Bonds.

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

Maturity	*Principal*	*Interest*	*Total*
2016	$ 160,470,000	$ 101,511,008	$ 261,981,008
2017	177,020,000	99,321,360	276,341,360
2018	160,770,000	91,145,746	251,915,746
2019	145,340,000	83,775,314	229,115,314
2020	146,580,000	76,881,112	223,461,112
2021-2025	721,355,000	284,391,530	1,005,746,530
2026-2030	636,335,000	124,780,953	761,115,953
2031-2035	252,590,000	22,307,974	274,897,974
2036-2040	17,000,000	340,000	17,340,000
Add:			
Unamortized Premium	205,987,462	-	205,987,462
Total	$ 2,623,447,462	$ 884,454,997	$ 3,507,902,459

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	$ 1,531,950
College and university debt backed exclusively by pledged revenues of an institution	506,629
Total Higher Education Institution 9(d) debt	$ 2,038,579

The interest rates for these bonds range from 0.1 percent to 6.4 percent and the issuance dates range from April 16, 2003, to June 11, 2015. The Virginia College Building Authority Series 2006B and 2006C bonds, the Virginia Commonwealth University Series 2012A and 2012B bonds, and the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor) Series 2013A and 2013B bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $322.8 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds,

Series 2009F and 2010B 21st Century Virginia College Building Authority Education Facilities Bonds, and the University of Virginia's Series 2009 and 2010 General Revenue Bonds.

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

Maturity	*Principal*	*Interest*	*Total*
2016	$ 51,652,907	$ 37,060,140	$ 88,713,047
2017	52,115,000	34,782,191	86,897,191
2018	49,200,000	32,406,271	81,606,271
2019	49,400,000	30,206,921	79,606,921
2020	49,120,000	28,005,901	77,125,901
2021-2025	253,785,955	106,906,426	360,692,381
2026-2030	224,175,000	51,984,864	276,159,864
2031-2035	111,070,000	14,478,135	125,548,135
2036-2040	12,295,000	1,366,530	13,661,530
Add:			
Unamortized Premium	84,043,125	-	84,043,125
Total	$ 936,856,987	$ 337,197,379	$ 1,274,054,366

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

Maturity	*Principal*	*Interest (1)*	*Total*
2016	$ 24,890,774	$ 83,394,733	$ 108,285,507
2017	19,554,307	83,799,076	103,353,383
2018	20,296,785	83,320,031	103,616,816
2019	20,694,933	82,803,293	103,498,226
2020	21,558,771	82,199,743	103,758,514
2021-2025	251,967,043	381,520,826	633,487,869
2026-2030	138,894,036	352,525,888	491,419,924
2031-2035	160,731,311	334,364,324	495,095,635
2036-2040	640,860,000	281,461,342	922,321,342
2041-2045	648,185,000	87,123,300	735,308,300
Add:			
Unamortized Premium	90,946,362	-	90,946,362
Total	$ 2,038,579,322	$ 1,852,512,556	$ 3,891,091,878

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*
2016	$ 208,055,000	$ 136,164,991	$ 344,219,991
2017	218,935,000	131,833,075	350,768,075
2018	206,850,000	122,092,585	328,942,585
2019	193,235,000	112,798,668	306,033,668
2020	192,165,000	104,117,294	296,282,294
2021-2025	931,750,000	395,675,052	1,327,425,052
2026-2030	888,710,000	204,905,604	1,093,615,604
2031-2035	428,555,000	41,754,463	470,309,463
Add:			
Unamortized Premium	251,959,224	-	251,959,224
Total	$ 3,520,214,224	$ 1,249,341,732	$ 4,769,555,956

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*
2016	$ 30,359,431
2017	29,512,494
2018	56,465,986
2019	107,436,446
2020	35,378,900
Thereafter	740,148,760
Total	$ 999,302,017

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 0.7 percent to 5.5 percent, and the issuance dates range from April 14, 2005, to June 23, 2015. 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. Series 2015A bonds were issued to pay the costs of refunding all of the remaining Series 2003 and 2006 bonds, and to pay costs of issuance of the Series 2015A bonds. Series 2015B bonds were issued to pay the costs of refunding a portion of the remaining Series 2007 bonds, and to pay costs of issuance of the Series 2015B bonds. The following schedule details the annual funding requirements necessary to amortize VPA bonds.

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

Maturity	Principal	Interest	Total
2016	$ 15,295,000	$ 17,826,202	$ 33,121,202
2017	17,070,000	19,990,624	37,060,624
2018	17,605,000	19,583,500	37,188,500
2019	17,965,000	19,216,775	37,181,775
2020	18,350,000	18,786,266	37,136,266
2021-2025	99,735,000	85,565,536	185,300,536
2026-2030	117,405,000	67,030,966	184,435,966
2031-2035	119,205,000	39,140,813	158,345,813
2036-2040	85,830,000	12,162,250	97,992,250
2041-2045	13,180,000	329,500	13,509,500
Add:			
Unamortized Premium	23,462,404	-	23,462,404
Total	$ 545,102,404	$ 299,632,432	$ 844,734,836

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 May 12, 2015. 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
2016	$ 240,616,781	$ 185,951,229	$ 426,568,010
2017	199,710,000	177,972,284	377,682,284
2018	199,800,000	170,957,105	370,757,105
2019	202,190,000	163,661,886	365,851,886
2020	213,150,000	155,606,908	368,756,908
2021-2025	776,725,000	669,541,405	1,446,266,405
2026-2030	602,550,000	529,370,049	1,131,920,049
2031-2035	666,237,064	391,209,544	1,057,446,608
2036-2040	661,013,873	228,300,079	889,313,952
2041-2045	726,294,252	77,690,972	803,985,224
2046-2050	10,585,000	490,136	11,075,136
Less:			
Unamortized Discount	(2,339,297)	-	(2,339,297)
Add:			
Unamortized Premium	2,314,584	-	2,314,584
Total	$ 4,498,847,257	$ 2,750,751,597	$ 7,249,598,854

Virginia Resources Authority

The Virginia Resources Authority (VRA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.5 percent to 6.3 percent and the origination dates range from March 1, 2000, to May 28, 2015. 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
2016	$ 153,865,000	$ 141,423,435	$ 295,288,435
2017	171,840,000	135,283,214	307,123,214
2018	183,400,000	127,519,303	310,919,303
2019	164,995,000	119,708,985	284,703,985
2020	171,815,000	112,194,643	284,009,643
2021-2025	835,330,000	443,537,350	1,278,867,350
2026-2030	797,025,000	254,151,812	1,051,176,812
2031-2035	486,075,000	111,999,800	598,074,800
2036-2040	209,615,000	38,789,779	248,404,779
2041-2045	73,970,000	4,519,323	78,489,323
Less:			
Unaccreted Capital Appreciation Bonds	(34,935,096)	-	(34,935,096)
Add:			
Unamortized Premium	296,032,824	-	296,032,824
Total	$ 3,509,027,728	$ 1,489,127,644	$ 4,998,155,372

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 14, 2015. 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 $185.1 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
2016	$ 234,559,060	$ 141,746,377	$ 376,305,437
2017	231,028,003	131,136,329	362,164,332
2018	225,305,000	120,101,355	345,406,355
2019	216,655,000	109,512,075	326,167,075
2020	213,055,000	99,502,943	312,557,943
2021-2025	922,956,000	358,759,651	1,281,715,651
2026-2030	819,440,000	158,247,343	977,687,343
2031-2035	394,010,000	33,263,289	427,273,289
2036-2040	43,750,000	3,963,222	47,713,222
2041-2045	3,755,000	104,163	3,859,163
Add:			
Unamortized Premium	247,227,603	-	247,227,603
Total	$ 3,551,740,666	$ 1,156,336,747	$ 4,708,077,413

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 0.1 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*
2016	$ 28,135,000	$ 29,751,000	$ 57,886,000
2017	22,871,000	29,029,000	51,900,000
2018	23,327,000	28,326,000	51,653,000
2019	23,905,000	27,360,000	51,265,000
2020	24,788,000	26,417,000	51,205,000
2021-2025	133,731,000	116,189,000	249,920,000
2026-2030	150,428,000	85,965,000	236,393,000
2031-2035	144,715,000	53,161,000	197,876,000
2036-2040	110,915,000	18,381,000	129,296,000
2041-2045	45,385,000	2,092,000	47,477,000
Add:			
Unamortized Premium	40,197,000	-	40,197,000
Total	$ 748,397,000	$ 416,671,000	$ 1,165,068,000

Virginia Biotechnology Research Partnership Authority

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

VIRGINIA BIOTECH RESEARCH PARTNERSHIP AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
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	4,200,000	557,750	4,757,750
2021-2025	9,055,000	458,375	9,513,375
Add:			
Unamortized Premium	2,368,683	-	2,368,683
Total	$ 30,618,683	$ 5,037,275	$ 35,655,958

Total principal outstanding at June 30, 2015, on all component unit bonds amounted to $20.4 billion.

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

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

(Dollars in Thousands)

	Balance July 1 as restated (3)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
Primary Government				
Governmental Activities:				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds	$ 643,175	$ 102,520	$ (178,375)	$ 567,320
Parking Facilities Bonds	15,004	-	(848)	14,156
Transportation Facilities Bonds	19,130	-	(2,405)	16,725
Add: Unamortized Premium	65,560	23,003	(11,393)	77,170
Total General Obligation Bonds	742,869	125,523	(193,021)	675,371
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Transportation Facilities Bonds	2,887,746	274,979	(173,215)	2,989,510
Virginia Public Building Authority Bonds	2,227,555	828,710	(638,805)	2,417,460
Economic Development Authority Obligations	50,165	-	(5,425)	44,740
Add: Unamortized Premium	427,431	126,735	(65,902)	488,264
Accretion on Capital Appreciation Bonds	20,759	2,380	-	23,139
Less: Unamortized Discount	(100)	4	-	(96)
Installment Purchase Obligations	113,936	16,020	(16,583)	113,373
Notes Payable - Aviation	529	-	(222)	307
Compensated Absences	321,520	192,671	(202,785)	311,406
Capital Lease Obligations	60,916	9,305	(12,273)	57,948
Net Pension Liability	4,842,060	-	(708,943)	4,133,117
OPEB Liability	568,764	85,409	-	654,173
Pollution Remediation Liability	13,186	-	(1,232)	11,954
Other	36,632	-	(3,477)	33,155
Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	11,571,099	1,536,213	(1,828,862)	11,278,450
Total Governmental Activities	12,313,968	1,661,736	(2,021,883)	11,953,821
Business-type Activities:				
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Non-General Obligation Bonds - 9(d)				
Route 460 Funding Corporation of Virginia Bonds	445,865	-	-	445,865
Add: Unamortized Premium	19,131	-	(541)	18,590
Less: Unaccreted Capital Appreciation Bonds	(147,691)	3,346	-	(144,345)
Capital Lease Obligations	6,072	-	(364)	5,708
Compensated Absences	10,102	2,614	(2,593)	10,123
Net Pension Liability	142,765	-	(17,471)	125,294
OPEB Liability	18,709	3,403	(61)	22,051
Lottery Prizes Payable	152,693	578	(17,049)	136,222
Tuition Benefits Payable	2,140,430	135,063	(158,724)	2,116,769
Total Business-type Activities	2,788,076	145,004	(196,803)	2,736,277
Total Primary Government	$ 15,102,044	$ 1,806,740	$ (2,218,686)	$ 14,690,098

Foundations (4)	Balance June 30	Due Within One Year
$ -	$ 567,320	$ 60,795
-	14,156	722
-	16,725	2,520
-	77,170	-
-	675,371	64,037
-	2,989,510	183,890
-	2,417,460	160,470
-	44,740	5,590
-	488,264	-
-	23,139	-
-	(96)	-
-	113,373	12,290
-	307	192
-	311,406	168,728
-	57,948	12,941
-	4,133,117	-
-	654,173	-
-	11,954	2,041
-	33,155	4,800
-	11,278,450	550,942
-	11,953,821	614,979
-	445,865	445,865
-	18,590	18,590
-	(144,345)	(144,345)
-	5,708	365
-	10,123	5,426
-	125,294	-
-	22,051	-
-	136,222	18,064
-	2,116,769	239,234
-	2,736,277	583,199
$ -	$ 14,690,098	$ 1,198,178

Continued on next page

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

(Dollars in Thousands)

	Balance July 1 as restated (3)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (5)	$ 925,086	$ 187,184	$ (175,413)	$ 936,857
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (5) (6)	18,223,278	3,330,829	(3,111,580)	18,442,527
Installment Purchase Obligations	76,526	2,834	(15,548)	63,812
Capital Lease Obligations	82,667	564	(5,775)	77,456
Notes Payable	2,072,530	400,148	(389,059)	2,083,619
Compensated Absences	281,692	288,575	(281,947)	288,320
Net Pension Liability	2,946,922	1,788	(411,015)	2,537,695
OPEB Liability	701,715	128,792	-	830,507
Trust and Annuity Obligations	3,687	-	(1,935)	1,752
Other (7)	269,525	1,034,407	(1,003,972)	299,960
Total Component Units	$ 25,583,628	$ 5,375,121	$ (5,396,244)	$ 25,562,505

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

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

Note (3) As a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* the following items have been restated: pension liability for governmental activities by $2,727,257 (dollars in thousands); business-type activities by $85,365 (dollars in thousands); and nonmajor component units by $1,880,284 (dollars in thousands). Additionally, Capital Lease Obligations, Notes Payable, and Compensated Absences of the component units have been restated by $478 (dollars in thousands), $5,492 (dollars in thousands), and $1,455 (dollars in thousands) respectively for nonmajor component units.

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

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

Note (6) Bonds payable of component units have been restated for by $8,516 (dollars in thousands) for Virginia College Building Authority (major) to reflect the removal of unamortized premiums related to bonds that matured in prior years.

Note (7) Other Long-term Liabilities have been restated for the following reclassifications among liability line items: $52 (dollars in thousands) from Other Liabilities for the Virginia Housing Development Authority (major); and $17,522 (dollars in thousands) from Deposits Pending Distribution and $2,909 (dollars in thousands) from Pension Liability for nonmajor component units.

Foundations (4)	Balance June 30	Due Within One Year
$ -	$ 936,857	$ 51,653
999,302	19,441,829	939,301
-	63,812	12,671
251	77,707	6,170
272,503	2,356,122	170,294
14,596	302,916	217,416
-	2,537,695	-
-	830,507	-
80,377	82,129	5,266
318,919	618,879	87,017
$ 1,685,948	$ 27,248,453	$ 1,489,788

Bond and Note Defeasance

Primary Government

In September 2014, the Virginia Public Building Authority (VPBA) issued $298.4 million of Series 2014C Public Facilities Revenue Refunding Bonds with a true interest cost (TIC) of 2.1 percent to refund $319.4 million of certain outstanding bonds. The bonds that were refunded include Public Facilities Revenue Bonds, Series 2004A, 2004B, 2004C, 2004D, 2005C, 2006A, 2006B, and 2007A. The net proceeds from the sale of the Refunding Bonds of $341.1 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 $10.7 million. It will, however, reduce total debt service payments over the next 14 years by $27.6 million, resulting in an economic gain of $27.1 million discounted at the rate of 2.3 percent.

In May 2015, the Commonwealth issued $214.3 million General Obligation Refunding Bonds, Series 2015B, pursuant to Sections 9(b) and 9(c) of Article X of the Constitution of Virginia, with a true interest cost (TIC) of 2.3 percent to refund $229.6 million of certain outstanding bonds. The bonds that were refunded include $118.4 million of outstanding Higher Education Institution Bonds, Series 2006B, 2007B, and 2008B and $111.2 million of Public Facilities Bonds, Series 2007B, 2008A, and 2008B. The net proceeds from the sale of the Refunding Bonds of $258.2 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 $24.1 million. It will, however, reduce total debt service payments over the next 22 years by $28.2 million, resulting in an economic gain of $23.3 million discounted at the rate of 2.1 percent.

In June 2015, VPBA issued $134.7 million of Series 2015B Public Facilities Revenue Refunding Bonds with a true interest cost (TIC) of 2.4 percent to refund $136.7 million of certain outstanding bonds. The bonds that were refunded include Public Facilities Revenue Bonds, Series 2005A, 2005B, 2006A, and 2008B. The net proceeds from the sale of the Refunding Bonds of $151.5 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 $13.7 million. It will, however, reduce total debt service payments over the next 14 years by $11.8 million resulting in an economic gain of $10.2 million discounted at the rate of 2.9 percent.

Component Units

Higher education institutions (nonmajor) participate in the Virginia College Building Authority Pooled Bond Program. In November 2014, the Virginia College Building Authority (VCBA) (major) issued $186.0 million of Series 2014B Pooled Bond Program refunding bonds. The bonds were issued to refund $8.8 million of its 2004A bonds, $25.3 million of its 2004B bonds, $15.0 million of its 2005A bonds, $57.8 million of its 2006A bonds, and $90.5 million of its 2007A bonds. The net proceeds from the sale of the refunding bonds of $215.0 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 $15.4 million. Total debt service payments over the next 22 years will be reduced by $39.8 million resulting in a present value savings of $36.6 million discounted at the rate of 2.2 percent.

In April 2015, VCBA issued $204.9 million of Series 2015B 21st Century Program refunding bonds. The bonds were issued to refund $10.2 million of its 2007B bonds, $46.8 million of its 2008A bonds, and $123.4 million of its 2009A bonds. The net proceeds from the sale of the refunding bonds of $204.6 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 $16.7 million. Total debt service payments over the next 12 years will be reduced by $17.2 million resulting in a present value savings of $15.0 million discounted at the rate of 2.5 percent.

The University of Virginia (nonmajor) issued $291.6 million of Series 2015A-1, 2015A-2, and 2015B bonds to refund $217.9 million of commercial paper and $109.7 million of Series 2003A and 2005 bonds. 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, 2015, there were $765.1 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 $1.9 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, 2015, 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 $177,630.

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 2015, no rebate payments were owed on the Commonwealth's General Obligation Bonds, Virginia Public Building Authority, Commonwealth Transportation Board, or the Virginia College Building Authority 21st Century or Pooled Bond Programs, Virginia Public School Authority, or the Virginia Port Authority.

Capital Leases

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

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2015, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2016	$ 17,011	$ 560	$ 8,664
2017	9,996	575	7,049
2018	9,010	589	6,892
2019	6,880	604	6,247
2020	6,685	619	6,233
2021-2025	18,659	3,333	26,187
2026-2030	6,127	3,771	25,846
2031-2035	2,145	4,267	13,560
2036-2040	2,329	4,828	714
2041-2045	891	2,114	650
2046-2050	-	-	1,281
Total Gross Minimum Lease Payments	79,733	21,260	103,323
Less: Amount Representing Executory Costs	(6,874)	-	-
Net Minimum Lease Payments	72,859	21,260	103,323
Less: Amount Representing Interest	(14,911)	(15,552)	(25,867)
Present Value of Net Minimum Lease Payments	$ 57,948	$ 5,708	$ 77,456

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

	Foundations (2)
2016	$ 164
2017	65
2018	24
2019	8
Net Minimum Lease Payments	261
Less: Amount Representing Interest	(10)
Present Value of Net Minimum Lease Payments	$ 251

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

At June 30, 2015, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
Governmental Activities:			
Gross Capital Assets	$ 176,097	$ 4,128	$ 180,225
Less: Accumulated Depreciation	(72,466)	(2,710)	(75,176)
Total Governmental Activities	$ 103,631	$ 1,418	$ 105,049
Business-Type Activities:			
Gross Capital Assets	$ 8,800	$ -	$ 8,800
Less: Accumulated Depreciation	(940)	-	(940)
Total Business-Type Activities	$ 7,860	$ -	$ 7,860
Component Units:			
Gross Capital Assets	$ 131,872	$ 5,527	$ 137,399
Less: Accumulated Depreciation	(46,023)	(3,249)	(49,272)
Subtotal (excluding Foundations)	85,849	2,278	88,127
Foundations:			
Gross Capital Assets	-	733	733
Less: Accumulated Depreciation	-	(469)	(469)
Subtotal Foundations	-	264	264
Total Component Units (3)	$ 85,849	$ 2,542	$ 88,391

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

Notes Payable

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

Primary Government	
Aviation Note	$ 307
Installment Notes	113,373
Total Primary Government	113,680
Component Units	
Virginia Public School Authority	185,850
Virginia Resources Authority	325
Nonmajor Component Units	1,897,444
Installment Notes	63,812
Subtotal (excluding Foundations)	2,147,431
Foundations:	
Notes Payable	272,503
Subtotal - Foundations	272,503
Total Component Units	2,419,934
Total Notes Payable	$ 2,533,614

The Department of Aviation (primary government) Note represents a loan agreement with the Virginia Resources Authority (major component unit) with an outstanding balance of $306,763. 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 $185.9 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).

The Virginia Resources Authority (major component unit) notes of $325,103 are Equipment and Term Financing loans.

An additional amount of $1.9 billion is comprised primarily of higher education institutions' (nonmajor component units) promissory notes with the Virginia College Building Authority (VCBA) (major component unit) to finance the construction of various higher education facilities. Interest rates range from 1.0 percent to 5.6 percent and shall be paid semi-annually. The final principal payment is due in 2045. The following higher education institutions (nonmajor component units) reported notes payables primarily for construction: Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) $25.5 million, which includes $11.7 million reported by the University Health Services (a component unit of the Authority); Virginia State University $1.1 million; Norfolk State University $21,785; and the Institute for Advanced Learning and Research $786,731.

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, 2015, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)

Maturity	Principal
2016	$ 7,623
2017	96,948
2018	37,444
2019	42,218
2020	5,191
Thereafter	83,079
Total	$ 272,503

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 $177.2 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, 2015.

Installment Purchase Obligations - Governmental Funds
June 30, 2015

Maturity	Principal	Interest	Total
2016	$ 12,289,270	$ 3,243,564	$ 15,532,834
2017	12,080,965	2,859,375	14,940,340
2018	12,020,121	2,543,967	14,564,088
2019	12,269,062	2,219,999	14,489,061
2020	11,869,296	1,891,649	13,760,945
2021-2025	39,862,443	5,350,992	45,213,435
2026-2030	12,981,584	812,936	13,794,520
Total	$ 113,372,741	$ 18,922,482	$ 132,295,223

Installment Purchase Obligations - Component Units

Maturity	Principal	Interest	Total
2016	$ 12,670,375	$ 1,263,862	$ 13,934,237
2017	12,102,542	1,039,070	13,141,612
2018	11,840,351	808,807	12,649,158
2019	9,471,176	565,622	10,036,798
2020	5,068,702	388,725	5,457,427
2021-2025	11,429,160	809,378	12,238,538
2026-2030	1,229,662	64,215	1,293,877
Total	$ 63,811,968	$ 4,939,679	$ 68,751,647

The foundations (component units) had no installment purchase obligations as of June 30, 2015.

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, 2015, are shown in the following table:

	Jackpot	Win For Life	Total
Due within one year	$ 13,139,234	$ 4,924,950	$ 18,064,184
Due in subsequent years	56,898,262	61,259,570	118,157,832
Total (present value)	70,037,496	66,184,520	136,222,016
Add: Interest to Maturity	26,462,504	35,377,480	61,839,984
Lottery Prizes Payable at Maturity	$ 96,500,000	$ 101,562,000	$ 198,062,000

Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia529 prePAID program. Virginia529 prePAID offers contracts at actuarially determined amounts that provide for future tuition and mandatory fee payments at state higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at differing amounts.

At June 30, 2015, tuition benefits payable of $2.1 billion have been recorded for the Virginia529 prePAID program on the statement of net position for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Virginia529 prePAID program. In addition, a receivable in the amount of $209.3 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, 2015.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	$ 1,614	$ 217,674	$ 16,534	$ 775	$ 28,956
Major Special Revenue Funds:					
Commonwealth Transportation	19,637	11,167	140,421	9,696	886
Federal Trust	-	5,984	-	-	74
Literary	-	64,239	-	-	-
Nonmajor Governmental Funds	115,731	52,997	67,945	7,507	8,075
Nonmajor Enterprise Funds	-	14,008	-	-	-
Private Purpose Trust Funds	-	-	-	-	-
Pension and Other Employee Benefit Trust Funds	-	-	-	-	-
Total Primary Government	$ 136,982	$ 366,069	$ 224,900	$ 17,978	$ 37,991

	Tobacco Master Settlement	Taxes	E-Z Pass	Other (1)	Total Other Revenue
Primary Government:					
General	$ 48,207	$ -	$ -	$ 149,455	$ 463,215
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	17,131	7,430	206,368
Federal Trust	-	-	-	111,323	117,381
Literary	-	-	-	308,847	373,086
Nonmajor Governmental Funds	-	-	-	101,922	354,177
Nonmajor Enterprise Funds	-	4,281	-	995	19,284
Private Purpose Trust Funds	-	-	-	13	13
Pension and Other Employee Benefit Trust Funds	-	-	-	2,164	2,164
Total Primary Government	$ 48,207	$ 4,281	$ 17,131	$ 682,149	$ 1,535,688

Note (1): $103,008 (dollars in thousands) is related to prior year expenditures refunded in the current fiscal year for the General Fund. $95,587 (dollars in thousands) is related to prior year expenditures refunded in the current fiscal year in the Federal Trust Fund. $308,700 (dollars in thousands) of the total amount recorded for the Literary Fund is related to unclaimed property. $31,079 (dollars in thousands) is related to indirect costs and court collection fees in the Other Special Revenue Fund, and the remaining $70,843 (dollars in thousands) is related to other miscellaneous charges and fees in the nonmajor governmental funds.

28. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2015.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
Virginia Lottery	$ -	$ 1,104,203	$ 1,104,203
Unemployment Compensation	431,420	-	431,420
Nonmajor Enterprise Funds	336,049	-	336,049
Total Enterprise Funds	$ 767,469	$ 1,104,203	$ 1,871,672
Internal Service Funds	$ 1,314,498	$ -	$ 1,314,498

29. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2015.

(Dollars in Thousands)

	Grants and Distributions To Localities	Expendable Equipment/ Improvements	Other (1)	Total Other Expenses
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	$ -	$ 351	$ 933	$ 1,284
Nonmajor Enterprise Funds	94	2,500	4,351	6,945
Total Enterprise Funds	$ 94	$ 2,851	$ 5,284	$ 8,229
Internal Service Funds	$ 1,673	$ 1,531	$ 16,898	$ 20,102
Pension and Other Employee Benefit Trust Funds (2)	$ -	$ -	$ 3,913	$ 3,913

Note (1): $7,729 (dollars in thousands) can be attributed to expenses related to closing cases and cyber insurance in the Risk Management internal service fund. $933 (dollars in thousands) can be attributed to the Virginia529 prePAID Program for the SOAR scholarship.

Note (2): Fiduciary expenses of $3,913 (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, 2015.

(Dollars in Thousands)

	Loss on Sale of Capital Assets	Expenses for Securities Lending Transactions	Interest Expense	Federal Unemployment Tax Act	Other (1)	Total Other Non-Operating Revenue/ (Expenses)
Proprietary Funds:						
Major Enterprise Funds:						
Virginia Lottery	$ -	$ (95)	$ -	$ -	$ 416	$ 321
Virginia College Savings Plan	-	-	(182)	-	-	(182)
Unemployment Compensation	-	-	-	(51)	-	(51)
Nonmajor Enterprise Funds	(184)	(9)	(12,081)	-	8,655	(3,619)
Total Enterprise Funds	$ (184)	$ (104)	$ (12,263)	$ (51)	$ 9,071	$ (3,531)
Internal Service Funds	$ 900	$ (15)	$ (2,837)	$ -	$ 70	$ (1,882)

Note (1): Other Non-Operating Revenue/Expenses of the nonmajor enterprise funds are comprised of $9,063 (dollars in thousands) reported by the Department of Alcoholic Beverage Control and $11 (dollars in thousands) reported by the Department for the Blind and Vision Impaired and offset by $419 (dollars in thousands) of expenses reported by the Route 460 Funding Corporation of Virginia.

31. SPECIAL ITEM

Governmental Activities

The Route 460 and Route 29 roadway projects became permanently impaired during fiscal year 2015 due to work stoppage (see Note 12). The two projects were disposed during fiscal year 2015, resulting in an impairment loss of $134.6 million.

Business-type Activities

The Virginia Department of Transportation (VDOT) (part of primary government) terminated the Comprehensive Agreement between the Route 460 Funding Corporation of Virginia (Corporation) (nonmajor enterprise) and the Route 460 Mobility Partners, LLC, in June 2015 for VDOT's convenience. Accordingly, the Corporation's continuing operations will cease during fiscal year 2016. As a result of the termination of the Comprehensive Agreement, the U.S. Route 460 Corridor Improvements Project became permanently impaired during fiscal year 2015. The project was disposed during fiscal year 2015, resulting in an impairment loss of $131.4 million (see Note 12). The impairment loss is partially offset by the recovery of funds in the amount of $45.7 million. Additionally, VDOT is responsible for a convenience termination payment to the Corporation in the amount of $120.1 million. As discussed in Note 41, the outstanding bonds were redeemed in September 2015.

32. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2015 (dollars in thousands).

	Transfers In (Reported In):				
Transfers Out (Reported In):	**General**	**Commonwealth Transportation**	**Federal Trust**	**Literary**	**Nonmajor Governmental Funds**
Primary Government					
General	$ -	$ 59,348	$ 15	$ -	$ 405,388
Major Special Revenue Funds:					
Commonwealth Transportation	56,758	-	46	-	324,010
Federal Trust	2	17,154	-	-	8,380
Nonmajor Governmental Funds	82,267	-	231	-	12,907
Major Enterprise Funds:					
Virginia Lottery	533,760	-	-	12,421	-
Virginia College Savings Plan	337	-	-	-	-
Unemployment Compensation	-	-	2,042	-	-
Nonmajor Enterprise Funds	164,334	-	-	24	15,510
Internal Service Funds	6,933	-	-	-	4,257
Total Primary Government	$ 844,391	$ 76,502	$ 2,334	$ 12,445	$ 770,452

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

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

Various nongeneral funds transferred approximately $69.8 million to the General Fund as required by Chapter 665, 2015 Virginia Acts of Assembly.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
$ -	$ 2,014	$ 466,765
-	388	381,202
57	-	25,593
-	2,891	98,296
-	-	546,181
-	-	337
-	-	2,042
-	-	179,868
-	-	11,190
$ 57	$ 5,293	$ 1,711,474

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 2015. 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 2015 totaled $91,027 and were recorded as program revenue – charges for services 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 as of June 30, 2015. 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, 2015.

	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation
Cash Flows Resulting from:			
Payments for Prizes, Claims, and Loss Control:			
Lottery Prizes	$ (1,137,625)	$ -	$ -
Claims and Loss Control	-	-	(447,855)
Total	$ (1,137,625)	$ -	$ (447,855)
Other Operating Revenue:			
Receipts from Interest, Dividends, and Rents	$ -	$ (593)	$ -
Other Operating Revenue	-	-	45
Total	$ -	$ (593)	$ 45
Other Operating Expense:			
Other Operating Expenses (1)	$ -	$ (134)	$ -
Total	$ -	$ (134)	$ -
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	$ -	$ -	$ -
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	499	-	25
Total	$ 499	$ -	$ 25
Other Noncapital Financing Disbursement Activities:			
Repayments of Advances/Contributions from the Commonwealth	$ -	$ -	$ -
Other Noncapital Financing Disbursement Activities	-	-	-
Total	$ -	$ -	$ -
Other Capital and Related Financing Disbursement Activities:			
Other Capital and Related Financing Disbursement Activities	$ -	$ -	$ -
Total	$ -	$ -	$ -

Note (1): $134,320 can be attributed to disbursements related to the Virginia529 prePAID Program for the SOAR scholarship. Also, $7,729 (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
$ -	$ (1,137,625)	$ -
(339,087)	(786,942)	(1,294,554)
$ (339,087)	$ (1,924,567)	$ (1,294,554)
$ -	$ (593)	$ -
6,056	6,101	-
$ 6,056	$ 5,508	$ -
$ (5,421)	$ (5,555)	$ (21,137)
$ (5,421)	$ (5,555)	$ (21,137)
$ 37,065	$ 37,065	$ -
214,281	214,281	-
210	734	153
$ 251,556	$ 252,080	$ 153
$ (26,563)	$ (26,563)	$ (1,900)
(130)	(130)	-
$ (26,693)	$ (26,693)	$ (1,900)
$ -	$ -	$ (632)
$ -	$ -	$ (632)

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.

Primary Government

The Commonwealth of Virginia has four SCAs as of June 30, 2015: 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 $518.0 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 $959.5 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, excluding the MLK Freeway, which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 58-year term, control of and the rights to operate the facilities will revert back to VDOT. 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. The construction of the express lanes was completed in December 2014.

During the agreement, 95 Express Lanes LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 73-year term, control of and the rights to operate the facilities will revert back to VDOT. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $612.2 million and deferred inflows of $628.5 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

Component Units

Aramark – Dining Services

During the year ended June 30, 2015, the University of Virginia (nonmajor) entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. As of June 30, 2015, the University has accrued a $19.9 million receivable, a $13.5 million liability and a $73.0 million deferred inflow of resources related to the service concession arrangement.

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 have been completed between the Commonwealth and Northrop Grumman in the years since 2010. The contract term expires June 30, 2019.

Expenses associated with the CIA in fiscal year 2015 are $292.9 million, including payments to Northrop Grumman of $245.6 million. The Commonwealth expects to spend an additional $1.1 billion over the next four 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 2016 cost allocation plan which is based on fiscal year 2014 data. The Commonwealth has computed a liability of $3.1 million pertaining to internal service fund transfers and over-recoveries as of June 30, 2015. The Commonwealth has computed an additional $18.4 million representing the federal share of various rebates received. Both amounts have been reflected in the accompanying financial statements. The Commonwealth is currently appealing a DHHS determination letter indicating that an additional amount may be owed.

Virginia's combined overpayment and underpayment SNAP error rate for fiscal year 2014 was 4.7 percent. The national performance measure (national average payment error rate) for fiscal year 2014 was 3.7 percent. The SNAP error rate may have been inconsistently reported and there is a reasonable possibility that the Commonwealth may owe an additional amount not expected to exceed $2.2 million.

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 FY 2014 fell within the tolerance level and 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 $1.9 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program. Additionally, the Authority had unclaimed awards totaling $115,104 payable to awardees upon submission of proper claims for reimbursement for the Sesquicentennial Marketing Program. In addition, the program has $46,358 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 $2.7 billion. The discretely presented component units have such debt of $3.6 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, 2015, the bailment inventory was valued at $43.0 million.

E. Loan Guarantees

The Assistive Technology Loan Fund Authority (nonmajor component unit) has an alternative financing program which provides guarantees of loans made and serviced by its banking partner. As of June 30, 2015, there was approximately $89,492 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, 2015, the loan guaranty program has guarantees outstanding of $7.4 million and cash pledged as collateral of $10.7 million.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* requires that certain information be disclosed regarding selected nonexchange financial guarantees. As of June 30, 2015, the VSBFA recognized a nonexchange financial guarantee liability of $147,892. This is a reduction of $1,986 from the beginning balance of $149,878. There were no required payments made during fiscal year 2015. Additionally, there have been no cumulative amounts paid on these outstanding loan guarantees nor are there any expected recoveries.

F. Regional Wet Weather Management Plan

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

The HRSD and the localities believe that addressing wet weather capacity issues from a regional perspective will result in the most affordable and cost-effective approach for rate payers throughout the region. Toward that end, the HRSD and the localities entered into a legally binding Memorandum of Agreement in March of 2014 (the MOA). The MOA commits HRSD to (1) develop the RWWMP in consultation with the localities, (2) fund the approved plan through a regional rate imposed on all regional ratepayers, (3) design and construct the necessary improvements, and (4) assume responsibility for wet weather capacity throughout the region in each area once the RWWMP is implemented. In exchange, the localities have agreed to (1) cooperate with the HRSD, (2) facilitate the construction of and accept ownership of any improvements which the HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards. The Consent Decree and MOA also contemplate that the localities' obligation to maintain the integrity of their sewer systems to industry standards will be embodied in a State administrative order by the end of 2014. While the HRSD is preparing the RWWMP, the Consent Decree also requires the HRSD to implement approximately $200.0 million in priority capital system upgrade projects over a 9-year period, which are included in the capital improvement and expansion program. The HRSD is on schedule to complete these projects. The HRSD has a major capital improvement and expansion program funded through the issuance of debt and its own resources. As of June 30, 2015, the HRSD has outstanding commitments for contracts in progress of approximately $166.6 million.

40. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

The GASB has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Both statements will significantly impact the Commonwealth's reporting disclosures and accrued other postemployment benefit liability amounts. The Virginia Retirement System and the Department of Human Resource Management will implement GASB Statement No. 74 in fiscal year 2017. The Commonwealth will implement GASB Statement No. 75 in fiscal year 2018.

41. SUBSEQUENT EVENTS

Primary Government

Debt

On September 17, 2015, the Route 460 Funding Corporation of Virginia (Corporation) (nonmajor enterprise) closed on the Extraordinary Mandatory Redemption of its Series 2012 Toll Road Senior Lien Revenue Bonds. Funds from the Corporation, together with certain amounts contributed from other entities, were used to provide the cash that was deposited in an irrevocable redemption account to redeem the Series 2012A and B Bonds. U.S. Bank National Association, the Trustee, paid the redemption cost of the Series 2012A Bonds and redeemed the Series 2012A bonds, at the Amortized Redemption Price on September 17, 2015. The Trustee paid the redemption cost of the

Series 2012B Bonds and redeemed the Series 2012B Bonds, at the Accreted Value on September 17, 2015. As part of that transaction, the Corporation transferred from its operating account $164.8 million to the Trustee. Those funds in conjunction with the September 17, 2015, balance of the Corporation's restricted cash, cash equivalents, and investments already held with the Trustee totaling $155.5 million, were placed into an irrevocable redemption account held with the Trustee to provide for all future debt service payments on the bonds.

Other

Subsequent to June 30, 2015, Property Management (internal service fund) signed a new operating lease beginning July 1, 2015 with future payments of $23.1 million.

On September 16, 2015, the Virginia Department of Transportation (VDOT) terminated for default a May 2013 contract entered into with Serco Inc., for $382.7 million over six years. This contract was for the operation of five transportation operations centers in addition to managing the Highway Safety Service Patrol. VDOT is currently evaluating its rights and remedies as a result of the contract default. The exit period for this contract will be by May 1, 2016. The value of this contract at June 30, 2015, was $308.4 million.

Component Units

Debt

Subsequent to June 30, 2015, the Virginia Resources Authority (VRA) (major) issued bonds in the amount of $70.1 million, dated July 29, 2015. The interest rates range from 0.2 percent to 5.0 percent with a final due date of November 1, 2035.

On July 30, 2015, the Virginia Public School Authority (VPSA) (major) issued $98.5 million of Special Obligation School Financing Bonds, Prince William County Series 2015. The Bonds will be used by the County to finance a portion of the costs of certain capital improvements to the County school system.

On July 16, 2015, George Mason University (nonmajor) signed a $54.8 million construction phase services contract with the Whiting-Turner Contracting Company for the construction of the Academic VII/Research III building (the Health and Human Services Building) on the Fairfax Campus.

On August 5, 2015, the Virginia Housing Development Authority (major) issued $22.6 million of Rental Housing Bonds. The interest rates range from 0.7 percent to 4.0 percent with a final due date of August 1, 2045.

On August 13, 2015, the Virginia College Building Authority (VCBA) (major) issued its $290.1 million Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2015D. The Bonds will provide funding for authorized VCBA capital and equipment projects at public institutions of higher education around the Commonwealth.

On October 20, 2015, the Virginia Polytechnic Institute and State University (VPI&SU) (nonmajor) issued Series 2015 Revenue Bonds totaling $62.2 million. The bonds consisted of the following: $51.4 million Series 2015A Dormitory and Dining Hall Systems and General Revenue Pledge Bonds, $510,000 Series 2015B Athletic Facilities System and General Revenue Pledge Bonds, $3.3 million Series 2015C University Services System and General Revenue Pledge Bonds, $4.4 million Series 2015D Utility Systems and General Revenue Pledge Bonds, $2.6 million Series 2015E General Revenue Pledge Refunding Bonds. The bond proceeds will be used for the following: finance certain capital projects; repay temporary financing provided through the Commercial Paper Program; and the outstanding principal amount of the University's General Revenue Pledge Refunding Bonds, Series 2004A maturing, or subject to mandatory sinking fund redemption, in the years 2017 to 2020; and finance costs associated with the issuance of the Bonds.

On October 30, 2015, the Rector and Visitors of the University of Virginia (nonmajor) on behalf of the Medical Center and Novant Health, Inc. (Novant) entered into an agreement to form a joint operating company effective January, 2016 to operate Culpeper Regional Hospital, Novant Health Haymarket Medical Center, Novant Health Prince William Medical Center, Novant Health Cancer Center at Lake Manassas and other Novant assets as one entity. The joint operating company has two members, the Medical Center and Novant. The equity in the joint operating company will be owned 60.0 percent and 40.0 percent by Novant and the Medical Center, respectively.

On November 19, 2015, VPSA issued $49.4 million of School Financing Bonds (1997 Resolution) Series 2015C to purchase certain general obligation local school bonds to finance capital projects for public schools.

On December 3, 2015, VCBA (nonmajor) issued $53.6 million in Educational Facilities Revenue Bonds, Series 2015A and $153.9 million in Education Facilities Revenue Refunding Bonds, Series 2015B under the Public Higher Education Financing Program (the "Pool Program"). The VCBA used the proceeds of the Series 2015A 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. The VCBA will use the proceeds of the Series 2015B Bonds to refund certain prior Authority Bonds issued under the Pool Program.

Other

Subsequent to June 30, 2015, the Virginia Commonwealth University announced the formation of the VCU Investment Management Company (VCIMCO), an independent 501(c)(3) foundation to advise the University and its affiliated foundations on the management of its assets. Investing activities by VCIMCO are to begin early 2016. Its primary objective in managing the assets is to maximize long-term real return commensurate with the risk tolerance of the VCU entities.

Subsequent to June 30, 2015, the City Council of Richmond, Virginia (the City) approved a proposal that will allow the Virginia Port Authority (VPA) (nonmajor) to extend its lease of the Port of Richmond for 40 additional years. The existing lease was scheduled to expire in October 2016. The lease, when consummated, will provide the VPA with, among other things, the ability to appoint a terminal operator, and have right of first refusal with respect to any sale or transfer by the City of all or any portion of the leased premises. The ultimate lease payments are expected to be on an annual basis, with the ultimate amount contingent upon certain economic development results to be determined between the VPA and the City.

On July 1, 2015, an Agreement for Shared Services entered between the VPA, 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) in August 2014 included Information Technology support. Costs are billed to each entity based on a budgeted allocation with a true-up to actual cost on a quarterly but no less than annual frequency. On July 1, 2015, all Information Technology personnel were transferred from the VIT to the Authority, consistent with the goal of streamlining the administration of The Port of Virginia and reducing costs.

On October 30, 2015, the Hampton Roads Sanitation District Commission (nonmajor) closed on a $90.0 million credit agreement (the Agreement) that provides funding for the capital improvement program. The Agreement will be available through June 30, 2016, with the option for an extension upon mutual agreement. Interest is based on 70.0 percent of the 1-month London Interbank Offered Rate (LIBOR) rate plus 0.4 percent per annum.

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, 2015
(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ 12,349,900	$ 11,816,300	$ 12,328,675	$ 512,375
Sales and Use	3,561,970	3,568,100	3,587,849	19,749
Corporation Income	816,600	840,900	831,907	(8,993)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	440,000	425,000	417,209	(7,791)
Deeds, Contracts, Wills, and Suits	381,056	328,300	354,461	26,161
Premiums of Insurance Companies	290,900	320,500	300,641	(19,859)
Alcoholic Beverage Sales	198,800	204,400	207,802	3,402
Tobacco Products	179,100	178,820	178,996	176
Estate	-	-	98	98
Public Service Corporations	97,700	96,800	98,537	1,737
Other Taxes	20,205	21,847	30,251	8,404
Rights and Privileges	89,626	87,192	78,654	(8,538)
Sales of Property and Commodities	1,337	3,445	28,930	25,485
Assessments and Receipts for Support of Special Services	850	900	1,582	682
Institutional Revenue	42,711	41,796	38,240	(3,556)
Interest, Dividends, and Rents	60,677	62,629	54,626	(8,003)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	213,345	205,323	216,698	11,375
Federal Grants and Contracts	6,418	6,414	6,416	2
Receipts from Cities, Counties, and Tow ns	9,333	10,033	16,533	6,500
Private Donations, Gifts and Contracts	486	475	775	300
Tobacco Master Settlement	53,209	51,086	48,207	(2,879)
Other	264,956	184,546	158,807	(25,739)
Total Revenues	19,079,179	18,454,806	18,985,894	531,088
Expenditures:				
Current:				
General Government	2,895,523	2,334,088	2,273,965	60,123
Education	8,000,322	7,977,968	7,928,734	49,234
Transportation	204	2,367	836	1,531
Resources and Economic Development	408,423	465,224	413,053	52,171
Individual and Family Services	5,923,217	5,827,264	5,765,208	62,056
Administration of Justice	2,556,220	2,608,951	2,586,618	22,333
Capital Outlay	24,130	31,380	6,510	24,870
Total Expenditures	19,808,039	19,247,242	18,974,924	272,318
Revenues Over (Under) Expenditures	(728,860)	(792,436)	10,970	803,406
Other Financing Sources (Uses):				
Transfers:				
Transfers In	807,406	864,788	866,913	2,125
Transfers Out	(440,696)	(431,678)	(468,029)	(36,351)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	366,710	433,110	398,884	(34,226)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(362,150)	(359,326)	409,854	769,180
Fund Balance, July 1	1,349,301	1,349,301	1,349,301	-
Fund Balance, June 30	$ 987,151	$ 989,975	$ 1,759,155	$ 769,180

See notes on page 181 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ -	$ -	$ -	$ -
1,374,262	1,236,725	1,347,089	110,364
-	-	-	-
810,844	907,243	829,956	(77,287)
875,212	814,200	846,193	31,993
-	-	-	-
83,200	77,100	85,945	8,845
150,400	150,397	150,397	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
67,390	64,630	67,433	2,803
633,863	539,050	556,740	17,690
-	556	20,324	19,768
16,825	19,866	19,644	(222)
-	-	-	-
12,566	12,355	22,041	9,686
10,969	9,962	11,891	1,929
913,305	1,059,345	1,330,384	271,039
179,210	205,804	138,919	(66,885)
25	25	9,373	9,348
-	-	-	-
26,361	22,411	26,038	3,627
5,154,432	5,119,669	5,462,367	342,698
104,713	84,598	74,056	10,542
2,417	1,099	1,090	9
5,120,816	5,986,034	5,289,482	696,552
15,944	14,617	12,355	2,262
-	-	-	-
9,767	9,767	9,766	1
37,023	75,487	14,300	61,187
5,290,680	6,171,602	5,401,049	770,553
(136,248)	(1,051,933)	61,318	1,113,251
33,096	33,096	77,765	44,669
(420,836)	(395,874)	(381,202)	14,672
274,980	274,980	274,980	-
26,013	26,013	26,013	-
(86,747)	(61,785)	(2,444)	59,341
(222,995)	(1,113,718)	58,874	1,172,592
2,234,932	2,234,932	2,234,932	-
$ 2,011,937	$ 1,121,214	$ 2,293,806	$ 1,172,592

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, 2015
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ -	$ -	$ -	$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Estate	-	-	-	-
Public Service Corporations	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	-	-	-	-
Sales of Property and Commodities	14	501	-	(501)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	376	527	716	189
Fines, Forfeitures, Court Fees, Penalties, and Escheats	3,663	3,397	7,273	3,876
Federal Grants and Contracts	7,510,001	7,436,222	8,374,296	938,074
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	132,448	167,888	143,031	(24,857)
Total Revenues	7,646,502	7,608,535	8,525,316	916,781
Expenditures:				
Current:				
General Government	150,730	165,900	149,349	16,551
Education	932,434	935,253	943,378	(8,125)
Transportation	35,091	31,240	14,011	17,229
Resources and Economic Development	168,052	188,750	162,459	26,291
Individual and Family Services	6,277,050	6,183,330	7,177,937	(994,607)
Administration of Justice	55,453	73,701	42,301	31,400
Capital Outlay	18,498	21,843	12,318	9,525
Total Expenditures	7,637,308	7,600,017	8,501,753	(901,736)
Revenues Over (Under) Expenditures	9,194	8,518	23,563	15,045
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	2,030	2,030
Transfers Out	(9,194)	(8,518)	(25,593)	(17,075)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	(9,194)	(8,518)	(23,563)	(15,045)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	$ -	$ -	$ -	$ -

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, 2015, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison
Budgetary Basis to GAAP Basis

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	$ 1,759,155	$ 2,293,806	$ -
Adjustments from Budget to Modified Accrual:			
Accrued Revenues:			
Taxes	618,727	142,083	-
Tax Refunds	(452,947)	-	-
Other Revenue/Other Sources	56,850	68,110	572,688
Unearned Taxes (2)	(64,497)	-	-
Medicaid Payable	(327,236)	-	(336,886)
Accrued Expenditures/Other Uses	(741,696)	(232,892)	(120,366)
Fund Balance, Modified Accrual Basis	$ 848,356	$ 2,271,107	$ 115,436

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, 2015, except the Literary Fund which has no approved budget.

(Dollars in Thousands)	General Fund (10)	Commonwealth Transportation Fund	Federal Trust Fund (11)
Appropriations (1)	$ 19,808,039	$ 5,290,680	$ 7,637,308
Supplemental Appropriations:			
Reappropriations (2)	234,266	46,310	20,640
Subsequent Executive (3)	124,396	846,680	295,133
Subsequent Legislative (4)	(617,008)	(413)	(324,950)
Capital Outlay and Operating Reversions (5)	(5,480)	-	(1,551)
Deficit (6)	273	-	-
Transfers (7)	(245,446)	(101)	(8,408)
Capital Outlay Adjustment (8)	(51,798)	(7,845)	(18,155)
Debt Service Adjustment (9)	-	(3,709)	-
Appropriations, as adjusted	$ 19,247,242	$ 6,171,602	$ 7,600,017

1. Represents the budget appropriated through Chapter 2, 2014 Acts of Assembly, as amended by Chapter 665, 2015 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 additional appropriations authorized subsequent to the 2015 General Assembly Session for legal expenses.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately $1.5 billion (General Fund) and $5.1 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.
8. 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.
9. The Commonwealth Transportation Fund appropriations have been adjusted for debt service.
10. Budgetary reductions totaling $18.5 million are excluded since they were not available for disbursement during the current fiscal year.
11. Appropriations do not include food stamp issuances of $1.2 billion since this is a noncash item; however, this amount is included in actual expenditures.

Schedule of Changes in Employers' Net Pension Liability (1) (2)

Fiscal Year Ended June 30, 2015
(Dollars in Thousands)

Change in the Net Pension Liability	VRS State 2016	VRS State 2015	VRS Teacher 2016	VRS Teacher 2015	VRS Political Subdivisions 2016	VRS Political Subdivisions 2015
Total pension liability:						
Service cost	$ 375,149	$ 369,120	$ 828,901	$ 831,501	$ 530,945	$ 524,758
Interest	1,482,951	1,436,064	2,834,138	2,722,788	1,309,484	1,243,386
Benefit changes	-	-	-	-	1,135	-
Difference between actual and expected experience	59,923	-	(212,089)	-	(185,419)	-
Assumption changes	-	-	-	-	-	-
Benefit payments	(1,136,102)	(1,081,866)	(1,980,353)	(1,874,636)	(819,201)	(754,706)
Refunds of contributions	(27,724)	(25,036)	(36,058)	(36,103)	(36,898)	(36,876)
Net change in total pension liability	754,197	698,282	1,434,539	1,643,550	800,046	976,562
Total pension liability - beginning	21,766,933	21,068,651	41,495,883	39,852,333	19,135,008	18,158,446
Total pension liability - ending (a)	$ 22,521,130	$ 21,766,933	$ 42,930,422	$ 41,495,883	$ 19,935,054	$ 19,135,008
Plan fiduciary net position:						
Contributions - employer	$ 480,657	$ 343,259	$ 1,267,250	$ 853,634	$ 533,877	$ 539,366
Contributions - member	195,582	198,035	373,525	371,241	227,060	225,555
Net investment income	728,083	2,243,999	1,327,047	4,042,441	761,164	2,272,284
Benefit payments	(1,136,102)	(1,081,866)	(1,980,353)	(1,874,636)	(819,201)	(754,706)
Refunds of contributions	(27,724)	(25,036)	(36,058)	(36,103)	(36,898)	(36,876)
Administrative expense	(10,302)	(12,341)	(18,238)	(22,036)	(10,358)	(12,153)
Other	(154)	123	(284)	217	(162)	120
Net change in plan fiduciary net position	230,040	1,666,173	932,889	3,334,758	655,482	2,233,590
Plan fiduciary net position - beginning	16,168,535	14,502,362	29,411,183	26,076,425	16,627,539	14,393,949
Plan fiduciary net position - ending (b)	$ 16,398,575	$ 16,168,535	$ 30,344,072	$ 29,411,183	$ 17,283,021	$ 16,627,539
Net pension liability - ending (a-b)	$ 6,122,555	$ 5,598,398	$ 12,586,350	$ 12,084,700	$ 2,652,033	$ 2,507,469
Plan fiduciary net position as a percentage of the total pension liability (b/a)	72.8%	74.3%	70.7%	70.9%	86.7%	86.9%
Covered employee payroll (c) (3)	$ 3,878,632	$ 3,861,712	$ 7,434,932	$ 7,313,025	$ 4,513,335	$ 4,434,764
Net pension liability as a percentage of covered employee payroll ((a-b)/c)	157.9%	145.0%	169.3%	165.2%	58.8%	56.5%

(1) The Commonwealth implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* effective for the fiscal year ended June 30, 2015, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2015 net pension measurement date is June 30, 2014, as reported in Note 15.

(3) Includes only pensionable payroll costs.

See notes on page 186 in this section.

SPORS		VaLORS		JRS	
2016	2015	2016	2015	2016	2015
$ 18,847	$ 18,341	$ 47,531	$ 46,504	$ 23,254	$ 24,024
70,350	67,977	124,579	119,040	41,759	40,014
-	-	-	-	-	-
(2,890)	-	(4,849)	-	(9,107)	-
-	-	-	-	-	-
(53,338)	(50,467)	(84,990)	(78,412)	(40,205)	(37,984)
(375)	(685)	(4,797)	(4,665)	-	-
32,594	35,166	77,474	82,467	15,701	26,054
1,031,856	996,690	1,824,577	1,742,110	616,680	590,626
$ 1,064,450	$ 1,031,856	$ 1,902,051	$ 1,824,577	$ 632,381	$ 616,680
$ 28,427	$ 42,683	$ 62,084	$ 67,483	$ 31,503	$ 27,727
5,680	5,646	17,081	17,908	3,015	3,051
32,466	98,682	52,312	156,786	20,051	60,833
(53,338)	(50,467)	(84,990)	(78,412)	(40,205)	(37,984)
(375)	(685)	(4,797)	(4,665)	-	-
(471)	(431)	(743)	(681)	(283)	(268)
(27)	-	(44)	-	(17)	-
12,362	95,428	40,903	158,419	14,064	53,359
720,990	625,562	1,150,450	992,031	442,194	388,835
$ 733,352	$ 720,990	$ 1,191,353	$ 1,150,450	$ 456,258	$ 442,194
$ 331,098	$ 310,866	$ 710,698	$ 674,127	$ 176,123	$ 174,486
68.9%	69.9%	62.6%	63.1%	72.1%	71.7%
$ 110,059	$ 112,010	$ 338,562	$ 352,492	$ 61,092	$ 61,020
300.8%	277.5%	209.9%	191.2%	288.3%	285.9%

Schedule of Employer Contributions – Pension Plans (1)

(Dollars in Thousands)

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Employee Payroll (2)	Contributions as a Percentage of Covered Employee Payroll
VIRGINIA RETIREMENT SYSTEM (VRS) – STATE					
2015	$ 612,824	$ 478,235	$ 134,589	$ 3,878,632	12.33%
2014	504,726	338,286	166,440	3,861,712	8.76%
2013	485,577	325,452	160,125	3,715,205	8.76%
2012	309,930	117,696	192,234	3,663,475	3.21%
2011	294,363	74,113	220,250	3,479,484	2.13%
2010	285,209	176,751	108,458	3,556,222	4.97%
2009	290,653	225,782	64,871	3,624,109	6.23%
2008	260,965	218,954	42,011	3,560,228	6.15%
2007	246,458	192,997	53,461	3,362,317	5.74%
2006	124,556	125,197	(641)	3,201,969	3.91%
VIRGINIA RETIREMENT SYSTEM (VRS) – TEACHER					
2015	$ 1,353,158	$ 1,078,065	$ 275,093	$ 7,434,932	14.50%
2014	1,226,394	852,699	373,695	7,313,025	11.66%
2013	1,203,856	837,028	366,828	7,178,629	11.66%
2012	903,655	443,078	460,577	6,999,653	6.33%
2011	891,237	271,306	619,931	6,903,465	3.93%
2010	839,550	450,218	389,332	7,090,791	6.35%
2009	845,999	629,497	216,502	7,145,260	8.81%
2008	766,559	706,222	60,337	6,856,523	10.30%
2007	733,633	603,705	129,928	6,562,008	9.20%
2006	499,861	408,528	91,333	6,171,124	6.62%
VIRGINIA RETIREMENT SYSTEM (VRS) – POLITICAL SUBDIVISIONS					
2015	$ 540,859	$ 535,919	$ 4,940	$ 4,513,335	11.87%
2014	551,822	539,131	12,691	4,434,764	12.16%
2013	537,657	525,385	12,272	4,321,565	12.16%
2012	400,879	400,879	-	4,142,150	9.68%
2011	391,531	391,531	-	4,078,580	9.60%
2010	363,982	363,982	-	4,125,087	8.82%
2009	364,366	364,366	-	4,144,638	8.79%
2008	351,469	351,469	-	3,960,566	8.87%
2007	319,516	319,516	-	3,699,629	8.64%
2006	239,827	239,827	-	3,441,325	6.97%

(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) Includes only pensionable payroll costs.

See notes on page 186 in this section.

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Employee Payroll (2)	Contributions as a Percentage of Covered Employee Payroll
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)					
2015	$ 33,876	$ 28,417	$ 5,459	$ 110,059	25.82%
2014	36,538	27,711	8,827	112,010	24.74%
2013	34,535	26,193	8,342	105,872	24.74%
2012	26,250	11,441	14,809	102,701	11.14%
2011	24,570	7,460	17,110	96,128	7.76%
2010	23,791	15,714	8,077	98,757	15.91%
2009	24,241	20,175	4,066	100,626	20.05%
2008	22,941	20,989	1,952	101,106	20.76%
2007	19,402	16,358	3,044	97,892	16.71%
2006	23,132	15,258	7,874	92,526	16.49%
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)					
2015	$ 71,301	$ 59,824	$ 11,477	$ 338,562	17.67%
2014	68,806	52,169	16,637	352,492	14.80%
2013	66,463	50,392	16,071	340,489	14.80%
2012	55,306	24,481	30,825	347,181	7.05%
2011	53,686	17,255	36,431	337,010	5.12%
2010	57,894	39,027	18,867	345,020	11.31%
2009	60,059	50,932	9,127	357,922	14.23%
2008	61,325	55,929	5,396	352,643	15.86%
2007	56,190	48,338	7,852	323,115	14.96%
2006	77,414	52,611	24,803	309,656	16.99%
JUDICIAL RETIREMENT SYSTEM (JRS)					
2015	$ 35,336	$ 31,560	$ 3,776	$ 61,092	51.66%
2014	33,018	27,728	5,290	61,020	45.44%
2013	32,185	27,028	5,157	59,481	45.44%
2012	27,631	18,907	8,724	59,053	32.02%
2011	28,101	17,303	10,798	60,058	28.81%
2010	23,638	17,065	6,573	62,139	27.46%
2009	23,148	21,000	2,148	60,853	34.51%
2008	23,600	22,386	1,214	58,896	38.01%
2007	22,557	20,530	2,027	56,293	36.47%
2006	23,871	16,206	7,665	53,047	30.55%

	VRS					
	State	Teacher	Political Subdivisions	SPORS	VaLORS	JRS
Valuation Date	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:						
Investment Rate of Return*	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Projected Salary Increases:*						
State Employees/Teachers	3.50% to 5.35%	3.50% to 5.95%	3.50% to 5.35%	3.50% to 4.75%	3.50% to 4.75%	4.50%
Political Subdivision – Non-Hazardous Duty Employees	N/A	N/A	3.50% to 5.35%	N/A	N/A	N/A
Political Subdivision – Hazardous Duty Employees	N/A	N/A	3.50% to 4.75%	N/A	N/A	N/A
Post-Retirement Benefits Increases**						
Plan 1	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Plan 2	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

* *Includes inflation at 2.50%.*
** *Compounded annually.*

As discussed in Note 15, contact the Virginia Retirement System to obtain a copy of the individually published financial statements.

Funding Progress for Other Postemployment Benefit Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
			Group Life Insurance Fund			
2014	$ 992	$ 2,701	$ 1,709	36.7%	$ 17,559	9.7%
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%
			Retiree Health Insurance Credit Fund (2)			
2014	$ 162	$ 2,334	$ 2,172	7.0%	$ 14,956	14.5%
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%
			Disability Insurance Trust Fund			
2014	$ 380	$ 239	$ (141)	159.0%	$ 3,585	(3.9%)
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%
			Virginia Local Disability Program (6)			
2014	$ -	$ -	$ -	-	$ 34	-
			Line of Duty Death and Disability (Line of Duty Trust Fund) (7)			
2014	$ 7	$ 226	$ 219	3.1%	N/A	-
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	-
			Pre-Medicare Retiree Healthcare			
2014	$ -	$ 1,342	$ 1,342	-	$ 4,011	33.5%
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 Other Postemployment Line of Duty Death and Disability 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.
(6) The Virginia Local Disability Program was new effective January 1, 2013, as part of the Hybrid Retirement for non-state employers.
(7) The Line of Duty Act Program was established and set up as a trust fund effective July 1, 2010. Contributions into the trust fund will be based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution.

See Notes on following page.

Notes for Funding Progress for Other Postemployment Benefit Plans

	Group Life Insurance Fund	Retiree Health Insurance Credit Fund	Disability Insurance Trust Fund	Virginia Local Disability Program	Line of Duty Death and Disability	Pre-Medicare Retiree Healthcare
Valuation Date	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	July 1, 2013
Actuarial Cost Method	Entry Age Normal	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 Percent of Pay, Closed	Level dollar, Open
Payroll Growth Rate:						
State Employees	3.0%	3.0%	3.0%	N/A	3.0%	3.0%
Teachers	3.0%	3.0%	N/A	3.0%	N/A	N/A
Political Subdivision Employees	3.0%	3.0%	N/A	3.0%	3.0%	N/A
State Police / Virginia Law Officers	3.0%	3.0%	3.0%	N/A	3.0%	3.0%
Judges	3.0%	3.0%	N/A	N/A	N/A	N/A
Effective Amortization Period (1)						
State Employees	29.4 years	29.0 years	28.5 years	N/A	2.0 and 30.0 years	30.0 years
Teachers	29.4 years	28.8 years	N/A	20.0 years	N/A	N/A
Political Subdivision Employees	29.4 years	20.0 years	N/A	20.0 years	2.0 and 30.0 years	N/A
Asset Valuation Method						
State Employees and Teachers	5-Year, Smoothed Market	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	5-Year, Smoothed Market	Market Value	Market Value
Actuarial Assumptions:						
Investment Rate of Return (2)	7.0%	7.0%	7.0%	7.0%	4.8% and 7.0%	4.0%
Projected Salary Increases (3)						
State Employees	3.5% to 5.4%	3.5% to 5.4%	3.5% to 5.4%	N/A	N/A	4.0%
Teachers	3.5% to 6.0%	3.5% to 6.0%	N/A	3.5% to 6.0%	N/A	N/A
Political Subdivision Employees (Non-Hazardous Duty Employees)	3.5% to 5.4%	3.5% to 5.4%	N/A	3.5% to 5.4%	N/A	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.5% to 4.8%	3.5% to 4.8%	N/A	N/A	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	N/A	4.0%
Judges	4.5%	4.5%	N/A	N/A	N/A	N/A
Medical Trend Assumptions (Under Age 65)	N/A	N/A	N/A	N/A	7.8% to 5.0%	
Medical Trend Assumptions (Ages 65 and Older)	N/A	N/A	N/A	N/A	5.8% to 5.0%	
Year of Ultimate Trend Rate	N/A	N/A	N/A	N/A	2020	

(1) The amortization period of the Unfunded Actuarial Accrued Liability (UAAL) was a closed 30-year period for the June 30, 2013, balance and closed 20-year period for each subsequent year. The Line of Duty Act Program amortization period is 30 years for the UAAL and two years for the loan.

(2) Includes inflation rate of 2.5 percent. The Line of Duty Act Program uses 4.3 percent for the investment rate of return and 7.0 percent for the loan interest.

(3) Projected salary increases for the Retiree Health Insurance Credit Fund are used in the application of the actuarial cost method. Projected salary increase factors are not applicable to the Line of Duty Act Program since neither the benefit nor the cost is salary-based.

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

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Statutory Required Contribution	Percentage Contributed
		Group Life Insurance Fund		
2015	$ 231,283	90.2%	$ 208,505	100.0%
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%
		Retiree Health Insurance Credit Fund		
2015	$ 161,120	89.9%	$ 144,862	100.0%
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%
		Disability Insurance Trust Fund		
2015	$ 26,244	90.4%	$ 23,728	100.0%
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%
		Line of Duty Death and Disability (Line of Duty Trust Fund) (2)		
2015	$ 22,103	47.0%	$ 10,381	100.0%
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%
		Pre-Medicare Retiree Healthcare		
2015	$ 207,046	17.0%	$ -	-
2014	198,873	17.3%	-	-
2013	182,970	8.5%	-	-
2012	172,910	21.2%	-	-
2011	166,984	17.8%	-	-
2010	136,710	17.4%	-	-
2009	131,925	23.3%	-	-
2008	127,426	25.2%	-	-

(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.

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	2006	2007	2008	2009
1. Required contribution and investment revenue:				
Earned	$ 6,166	$ 6,560	$ 6,759	$ 6,197
Ceded (a)	-	-	-	-
Net earned	6,166	6,560	6,759	6,197
2. Unallocated expenses	1,008	1,047	1,307	1,272
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	1,539	2,060	3,330	3,681
Ceded (a)	-	-	-	-
Net incurred	1,539	2,060	3,330	3,681
4. Net paid (cumulative) as of:				
End of policy year	177	106	493	300
One year later	745	1,051	1,697	1,858
Two years later	1,421	2,436	3,476	2,690
Three years later	2,087	2,631	3,753	3,679
Four years later	2,176	2,662	3,834	3,867
Five years later	2,554	2,671	5,065	3,928
Six years later	2,591	2,671	5,084	3,928
Seven years later	2,630	2,671	5,140	
Eight years later	2,639	2,671		
Nine years later	2,688			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	1,539	2,060	3,330	3,681
One year later	2,168	3,316	3,928	3,742
Two years later	2,494	3,224	5,420	3,943
Three years later	2,872	2,887	5,309	4,721
Four years later	2,820	2,730	5,094	4,555
Five years later	2,591	2,731	6,065	4,000
Six years later	2,676	2,731	5,768	3,936
Seven years later	2,698	2,731	5,968	
Eight years later	2,698	2,716		
Nine years later	2,832			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	1,293	656	2,638	255

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 196 in this section.

2010	2011	2012	2013	2014	2015
$ 5,485	$ 4,131	$ 5,019	$ 5,043	$ 8,500	$ 8,487
-	-	-	-	-	-
5,485	4,131	5,019	5,043	8,500	8,487
1,269	1,310	1,382	1,273	1,435	1,331
3,404	3,213	5,390	3,394	4,025	4,664
-	-	-	-	-	-
3,404	3,213	5,390	3,394	4,025	4,664
412	396	1,677	335	367	922
2,236	1,940	4,468	3,401	3210	
5,237	3,943	7,554	8,118		
6,744	4,317	8,137			
7,013	4,380				
7,653					
-	-	-	-	-	-
3,404	3,213	5,390	3,394	4,025	4,664
6,096	3,919	8,704	9,397	6,454	
8,428	4,523	9,107	9,939		
8,640	4,570	9,727			
8,692	4,474				
7,894					
4,490	1,261	4,337	6,545	2,429	-

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	2006	2007	2008	2009
1. Required contribution and investment revenue:				
Earned	$ 184,360	$ 202,366	$ 211,034	$ 222,498
Ceded (a)	-	-	-	-
Net earned	184,360	202,366	211,034	222,498
2. Unallocated expenses	11,899	13,782	16,215	16,400
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	152,289	163,787	185,117	214,411
Ceded (a)	-	-	-	-
Net incurred	152,289	163,787	185,117	214,411
4. Net paid (cumulative) as of:				
End of policy year	147,534	159,769	181,566	204,655
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	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	152,289	163,787	185,117	214,411
One year later	152,289	163,787	185,117	214,411
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	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

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

See Notes on page 196 in this section.

2010	2011	2012	2013	2014	2015
$ 240,305	$ 246,730	$ 259,135	$ 284,526	$ 320,678	$ 343,470
-	-	-	-	-	-
240,305	246,730	259,135	284,526	320,678	343,470
15,936	15,849	16,701	18,781	17,738	22,748
215,376	213,694	250,019	277,455	290,557	327,154
-	-	-	-	-	-
215,376	213,694	250,019	277,455	290,557	327,154
214,371	209,365	235,058	267,256	291,711	329,099
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					
-	-	-	-	-	-
215,376	213,694	250,019	277,455	290,557	327,154
215,376	213,694	250,019	277,455	290,557	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-

Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.

3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

(a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2016C Bonds, payments of principal, premium, if any, and interest on the 2016C Bonds to DTC, its nominee, Direct Participants, Indirect Participants, or Beneficial Owners, each as hereinafter defined, confirmation and transfer of beneficial ownership interests in the 2016C Bonds and other bond-related transactions by and between DTC, Direct Participants, and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2016C Bonds. The 2016C Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2016C Bond certificate will be issued for each maturity of the 2016C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of 2016C Bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2016C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016C Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016C Bond ("Beneficial Owner") is in turn to be recorded on the records of Direct Participants and Indirect Participants, as applicable. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant, as applicable, through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016C Bonds are to be accomplished by entries made on the books of Direct Participants and/or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2016C Bonds, except in the event that use of the book-entry system for the 2016C Bonds is discontinued.

To facilitate subsequent transfers, all 2016C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016C Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2016C Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to VRA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2016C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and payments on the 2016C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from VRA or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and/or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant, as applicable, and not of DTC, the Trustee, or VRA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of VRA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016C Bonds at any time by giving reasonable notice to VRA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2016C Bond certificates are required to be printed and delivered.

VRA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2016C Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that VRA believes to be reliable, but VRA takes no responsibility for the accuracy thereof.

NEITHER VRA, THE TRUSTEE, ANY LOCAL GOVERNMENT, THE UNDERWRITERS, NOR THE WINNING BIDDER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE 2016C BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2016C BONDS.

So long as Cede & Co. is the registered owner of the 2016C Bonds, as nominee of DTC, references in this Official Statement to the Owner or Owners of the 2016C Bonds or Owners shall mean Cede & Co. and shall not mean the Beneficial Owners, and the Trustee will treat Cede & Co. as the only Owner or Bondholder of the 2016C Bonds for all purposes under the Indenture.

VRA may enter into amendments to its agreement with DTC or any successor depository without the consent of the Beneficial Owners.

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APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

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November 16, 2016

Virginia Resources Authority
1111 East Main Street, Suite 1920
Richmond, Virginia 23219

Virginia Resources Authority

$146,095,000 Infrastructure Revenue Bonds
(Virginia Pooled Financing Program)
Series 2016C

and

$66,820,000 State Moral Obligation Revenue Bonds
(Virginia Pooled Financing Program)
Series 2016C

Ladies and Gentlemen:

We have served as Bond Counsel to the Virginia Resources Authority ("VRA") in connection with the issuance of VRA's $146,095,000 Infrastructure Revenue Bonds (Virginia Pooled Financing Program), Series 2016C (the "2016C Infrastructure Revenue Bonds") and $66,820,000 State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2016C (the "2016C Moral Obligation Bonds," and, together with the 2016C Infrastructure Revenue Bonds, the "2016C Bonds"). The 2016C Bonds have been issued under (i) the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "VRA Act"), (ii) amended and restated resolutions adopted by VRA's Board of Directors on September 13, 2016, and (iii) a Master Indenture of Trust dated as of December 1, 2003, as previously supplemented and amended (the "Master Indenture"), between VRA and U.S. Bank National Association, as successor trustee (the "Trustee"), and as further supplemented by a Thirty-Seventh Supplemental Series Indenture of Trust dated as of November 1, 2016 (the "Thirty-Seventh Supplemental Series Indenture," and, together with the Master Indenture, the "Indenture"), between VRA and the Trustee. We refer you to the 2016C Bonds and the Indenture for a description of the purposes for which the 2016C Bonds are issued, their terms and the security for them. Unless otherwise defined, each capitalized term used in this opinion has the meaning given it in the Indenture.

In connection with our opinion, we have examined the Constitution of Virginia and the applicable laws of both the Commonwealth of Virginia (the "Commonwealth"), including the VRA Act, and the United States of America, including the Internal Revenue Code of 1986, as

amended (the "Code"), and such certified proceedings and other documents relating to the issuance of the 2016C Bonds and VRA as we deem necessary to render this opinion.

Without undertaking to verify them by independent investigation, as to questions of fact material to this opinion we have relied upon (i) representations of VRA contained in the Indenture and related documents, (ii) certifications of public officials furnished to us, including certifications made on behalf of the 2016C Local Governments (as defined in VRA's Official Statement dated November 2, 2016), and (iii) certifications and representations contained in certificates of VRA and others delivered at closing. In addition, without undertaking to verify the same by independent investigation, we have relied on computations provided to us by Davenport & Company LLC, VRA's financial advisor, the mathematical accuracy of which was verified by Bingham Arbitrage Rebate Services, Inc., Richmond, Virginia, relating to the sufficiency of and the yield on investments in the refunding escrow funds established with a portion of the proceeds of the 2016C Bonds and the arbitrage yield on the 2016C Bonds.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than VRA, and we have further assumed the due organization, existence, and powers of all parties other than VRA.

Based on the foregoing, we are of the opinion that, under current law:

(1) VRA is a public body corporate and a political subdivision of the Commonwealth duly created by the VRA Act and vested with all of the rights and powers conferred by the VRA Act.

(2) VRA has the requisite authority and power under the VRA Act to enter into the Indenture, to issue and sell the 2016C Bonds, and to apply the proceeds from the issuance and sale of the 2016C Bonds as set forth in the Indenture. All conditions precedent to the issuance of the 2016C Bonds as set forth in the VRA Act and the Indenture have been fulfilled.

(3) The 2016C Infrastructure Revenue Bonds have been duly authorized, executed, and delivered in accordance with the VRA Act and the Indenture and constitute valid and binding limited obligations of VRA, payable solely from the revenues, money and property of VRA specifically pledged for such purpose under the Indenture on a parity with the other Outstanding Infrastructure Revenue Bonds heretofore or hereafter issued under the Indenture.

(4) The 2016C Moral Obligation Bonds have been duly authorized, executed, and delivered in accordance with the VRA Act and the Indenture and constitute valid and binding limited obligations of VRA, payable solely from the revenues, money and property of VRA specifically pledged for such purpose under the Indenture, which pledge is (i) on a parity with the other Outstanding Moral Obligation Bonds heretofore or hereafter issued under the Indenture and (ii) subordinate as to certain revenues, money and property to the pledge thereof securing the

2016C Infrastructure Revenue Bonds issued on the date hereof and the other Outstanding Infrastructure Revenue Bonds heretofore or hereafter issued under the Indenture.

(5) The Indenture has been duly authorized, executed and delivered by VRA, constitutes the valid and binding obligation of VRA, pledges the Revenues and the Infrastructure Revenue Bond Revenues to the Trustee as security for the Infrastructure Revenue Bonds, pledges the Revenues on a subordinate basis to the Moral Obligation Bonds, and is enforceable against VRA in accordance with its terms. The Thirty-Seventh Supplemental Series Indenture is authorized and permitted by the Master Indenture and will have no adverse effect on the excludability of the interest on any of the Bonds Outstanding on the date hereof from gross income for federal income tax purposes.

(6) Additional Infrastructure Revenue Bonds and Moral Obligation Bonds may be issued from time to time under the conditions, limitations, and restrictions set forth in the Indenture, and may be secured equally and ratably thereunder with the 2016C Infrastructure Revenue Bonds and the other Outstanding Infrastructure Revenue Bonds or the 2016C Moral Obligation Bonds and the other Outstanding Moral Obligation Bonds, as the case may be.

(7) Interest on the 2016C Bonds, including any accrued "original issue discount" properly allocable to the owners of the 2016C Bonds, (i) is excludable from gross income for federal income tax purposes under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, interest on the 2016C Bonds must be included in computing adjusted current earnings. The "original issue discount" on any 2016C Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the 2016C Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the 2016C Bonds.

In delivering this opinion, we are (i) relying on opinions from other firms of municipal bond attorneys serving as bond counsel to all of the 2016C Local Governments regarding the application of the proceeds of the 2016C Bonds and the ownership, use and operation of the property financed or refinanced thereby, and (ii) assuming continuing compliance with the Covenants, as hereinafter defined, by VRA and each of the 2016C Local Governments, so that interest on the 2016C Bonds will (x) remain excludable from gross income for federal income tax purposes and (y) not become a Specific Tax Preference Item. It should be noted that this firm has served as bond counsel to the County of Stafford, Virginia, the City of Suffolk, Virginia and the County of York, Virginia. VRA and the 2016C Local Governments, as applicable, have covenanted in their respective tax agreements to comply with the provisions of the Code applicable to the 2016C Bonds including, among other things, requirements as to the use, expenditure and investment of the proceeds thereof, the use of the property financed or refinanced thereby, the source of the payment thereof and the security therefor, the arbitrage yield restrictions and rebate payment obligations imposed by the Code and certain other actions that could cause interest thereon to be includable in gross income of their owners (the

"Covenants"). Failure by VRA or any of the 2016C Local Governments, as applicable, to comply with the Covenants could cause interest on the 2016C Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2016C Bonds from becoming includible in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the 2016C Bonds.

Certain requirements and procedures contained, incorporated or referred to in the above-referenced tax agreements, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such agreements. We express no opinion concerning any effect on the excludability of interest on the 2016C Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

(8) In accordance with Section 62.1-219 of the VRA Act, the 2016C Bonds and the income from them, including any profit made on their sale, are exempt from taxation by the Commonwealth and any of its political subdivisions. We express no opinion regarding (i) other tax consequences arising with respect to the 2016C Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2016C Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth and its political subdivisions.

The rights of the registered owners of the 2016C Bonds and the enforceability of VRA's obligations under the 2016C Bonds and the Indenture may be limited or otherwise affected by bankruptcy, insolvency, reorganization, moratorium, and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights and obligations is also subject to the exercise of judicial discretion in accordance with general principles of equity.

The principal of, premium, if any, and interest on the 2016C Bonds do not constitute a debt of the Commonwealth or any of its political subdivisions other than VRA. Neither the Commonwealth nor any of its political subdivisions, including VRA, is legally obligated to pay the principal of, premium, if any, or interest on the 2016C Bonds or other costs incident to them except from the revenues, money and property of VRA pledged for such purpose, and neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions, including VRA, is pledged to the payment of the principal of, premium, if any, or interest on the 2016C Bonds.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the 2016C Bonds and the tax-exempt status of the interest on them and the enforceability of the Indenture. The foregoing opinion is in no respect an opinion as to VRA's business or financial resources or its ability to provide for the payment of the 2016C Bonds or the accuracy or completeness of any information, including VRA's Preliminary Official Statement dated October

26, 2016, and Official Statement dated November 2, 2016, that anyone may have relied upon in making the decision to purchase the 2016C Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE COMMONWEALTH OF VIRGINIA

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the **Commonwealth of Virginia** (the "Commonwealth") in connection with the issuance by the Virginia Resources Authority (the "Authority") of $212,915,000 aggregate principal amount of its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2016C (the "Bonds") pursuant to the provisions of a Master Indenture of Trust dated as of December 1, 2003, as supplemented by a Thirty-Seventh Supplemental Series Indenture of Trust dated as of November 1, 2016, between the Authority and U.S. Bank National Association, as trustee. The proceeds of the Bonds are being used by the Authority to finance and refinance qualified infrastructure projects for various localities in the Commonwealth. The Authority has advised the Commonwealth that it has determined that the Commonwealth constitutes an "obligated person" within the meaning of the Rule in respect of the Bonds and the Commonwealth concurs in such determination. The Commonwealth hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Commonwealth for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The Commonwealth acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Commonwealth pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the Commonwealth, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Commonwealth and which has filed with the Commonwealth a written acceptance of such designation.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system, the internet address of which is http://emma.msrb.org/, and any successor thereto.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the Commonwealth and results of its operations for such period are determined. Currently, the Commonwealth's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports; Audited Financial Statements.

(a) Not later than seven months following the end of each Fiscal Year of the Commonwealth, commencing with the Fiscal Year ending June 30, 2016 the Commonwealth shall, or shall cause the Dissemination Agent (if different from the Commonwealth) to, submit to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 10 days prior to said date, the Commonwealth shall provide the Annual Report to the Dissemination Agent (if applicable). In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement, and (iii) shall include such financial statements as may be required by the Rule.

(b) The annual financial statements of the Commonwealth shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be submitted to EMMA when they become publicly available.

(c) If the Commonwealth fails to submit an Annual Report to EMMA by the date required in subsection (a) hereof, or to submit its audited annual financial statements to EMMA when they become publicly available, the Commonwealth shall send an appropriate notice to the MSRB in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. Each Annual Report required to be filed hereunder shall include, at a minimum, the information referred to in Exhibit B as it relates to the Commonwealth, all with a view toward assisting Participating Underwriters in complying with the Rule. Any or all of such information may be incorporated by reference from other documents, including official statements containing information with respect to the Commonwealth, which have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Commonwealth shall clearly identify each such other document so incorporated by reference.

SECTION 5. Notice of Rating Changes. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Board and to EMMA notice of any changes in the ratings of the Commonwealth's general obligation bonds by the rating agencies requested by the Commonwealth to rate such bonds.

SECTION 6. Notice of Bankruptcy, Insolvency, Receivership or Similar Event. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Board and to EMMA notice of any bankruptcy, insolvency, receivership or similar event of the Commonwealth. For purposes of this Section, a bankruptcy, insolvency, receivership or similar event of the Commonwealth is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Commonwealth in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commonwealth, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commonwealth.

SECTION 7. Notice of Merger, Consolidation, Acquisition or Similar Event. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Board and to EMMA notice of any consummation of a merger, consolidation, or acquisition involving the Commonwealth or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

SECTION 8. Termination of Reporting Obligation. The obligations of the Commonwealth under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds, and the Board shall notify the Commonwealth promptly upon the occurrence of either such event.

SECTION 9. Dissemination Agent. The Commonwealth may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Commonwealth shall be the Dissemination Agent.

SECTION 10. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Commonwealth may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws to the effect that such amendment is permitted or required by the Rule.

SECTION 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Commonwealth from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notices described in Section 5, Section 6, and Section 7 above, in addition to that which is required by this Disclosure Agreement. If the Commonwealth chooses to include any information in any Annual Report or notices described in Section 5, Section 6, and Section 7 above, in addition to that which is specifically required by this Disclosure Agreement, the Commonwealth shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice.

SECTION 12. Default. Any person referred to in Section 13 (other than the Commonwealth) may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligation of the Commonwealth to file its Annual Report or to give notices as described in Section 5, Section 6, and Section 7 hereinabove. In addition, Holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the Commonwealth hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under any applicable resolution or other debt authorization of the Commonwealth, and the sole remedy under this Disclosure Agreement in the event of any failure of the Commonwealth to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Commonwealth, the Board, the Participating Underwriters, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. EMMA. All filings under this Disclosure Agreement shall be made solely by transmitting such filings to the Municipal Securities Rulemaking Board via EMMA, as described in 1934 Act Release No. 59062. Should the Securities and Exchange Commission approve any additional or subsequent internet-based electronic filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable Securities and Exchange Commission regulation or release approving such filing system.

Date: November 16, 2016

COMMONWEALTH OF VIRGINIA

By: _____
State Treasurer

AGREED TO & ACKNOWLEDGED:

VIRGINIA RESOURCES AUTHORITY

By: _____
Executive Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENT]

COMMONWEALTH OF VIRGINIA

in connection with
Virginia Resources Authority
$212,915,000
Infrastructure and State Moral Obligation Revenue Bonds
(Virginia Pooled Financing Program), Series 2016C

Dated: November 16, 2016

$146,095,000 Infrastructure Revenue Bonds Series 2016C (Tax-Exempt) CUSIP Numbers 92818M AA8 – AX8	$66,820,000 State Moral Obligation Revenue Bonds Series 2016C (Tax-Exempt) CUSIP Numbers 92818M BA7 – BW9

NOTICE IS HEREBY GIVEN that the Commonwealth of Virginia has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds issued pursuant to a Master Indenture of Trust dated as of December 1, 2003, as supplemented by a Thirty-Seventh Supplemental Series Indenture of Trust dated as of November 1, 2016, between the Authority and U.S. Bank National Association, as trustee. The Commonwealth anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____.

Dated:_____

COMMONWEALTH OF VIRGINIA

By: _____
State Treasurer

EXHIBIT B

CONTENT OF ANNUAL REPORT

General Fund. Information concerning revenues, sources of revenues, expenditures, categories of expenditures and balances of the General Fund of the Commonwealth for the preceding fiscal year.

Appropriation Act. A summary of the material budgetary aspects of the Appropriation Act for the current biennium.

Debt. Updated information respecting tax-supported and other outstanding debt of the Commonwealth including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt and a summary of annual debt service on outstanding tax-supported debt.

Retirement Plans. Updated information (to the extent not shown in the latest audited annual financial statements) respecting pension and retirement plans administered by the Commonwealth including a summary of membership, revenues, expenses and actuarial valuation(s) of such plans.

Litigation. A summary of material litigation pending against the Commonwealth.

Demographic Information. Updated demographic information respecting the Commonwealth such as its population and tax base.

Economic Information. Updated economic information respecting the Commonwealth such as income, employment, industry and infrastructure data.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the Commonwealth and the United States as a whole is contemporaneously available and, in the judgment of the Commonwealth, informative, such information may be included. Where, in the judgment of the Commonwealth, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.

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APPENDIX H

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS BY VIRGINIA RESOURCES AUTHORITY

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The following is a summary of the continuing disclosure undertaking made by VRA pursuant to the Thirty-Seventh Supplemental Series Indenture for the benefit of the holders of the 2016C Bonds. Unless otherwise defined, each capitalized term used herein will have the meaning given it above in this Official Statement.

Annual Disclosure

(a) Directly or through a below-described Dissemination Agent, VRA shall provide annually the following financial information or operating data in each case as of the end of VRA's most recent fiscal year:

(i) an update of the table (the "Participating Local Governments Table") contained under the heading "Aggregate Participation in the Virginia Pooled Financing Program" in the subsection "THE 2016C LOCAL GOVERNMENTS AND THE OTHER PARTICIPATING LOCAL GOVERNMENTS" in Section Three of this Official Statement;

(ii) a list showing each Local Government constituting a "Material Local Government," which may be included in the updated Participating Local Governments Table provided under (a)(1) above; and

(iii) the balance and a list of the investments, if any, held in each of the Infrastructure Revenue Debt Service Reserve Fund, the Capital Reserve Fund and the Operating Reserve Fund and a statement as to whether the balance was at least equal to the level required under the Indenture.

(b) VRA shall provide annually the financial information or operating data described in subsection (a) above (collectively, the "Annual Disclosure") on or before March 31 after the end of each of VRA's fiscal years, commencing with VRA's fiscal year ended June 30, 2016, to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB.

(c) Any Annual Disclosure may be included by specific reference to other documents available to the public on the MSRB's internet web site or previously filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) VRA shall provide in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, notice specifying any failure of VRA to provide the Annual Disclosure by the date specified.

Event Disclosure

VRA shall provide, or cause to be provided through the Dissemination Agent, to the MSRB, notice of the occurrence of any of the following events that may from time to time occur with respect to the 2016C Bonds, such notice to be given in a timely manner not in excess of 10 business days after the occurrence of the event:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement maintained with respect to the 2016C Bonds reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the 2016C Bonds, or other material events affecting the tax status of the 2016C Bonds;

(g) modifications to rights of the Owners of the 2016C Bonds, if material;

(h) bond calls, if material, and tender offers;

(i) defeasance of all or any portion of the 2016C Bonds;

(j) release, substitution, or sale of property securing repayment of the 2016C Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of VRA;

(m) the consummation of a merger, consolidation, or acquisition involving VRA or the sale of all or substantially all of the assets of VRA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(o) the failure of VRA on or before the date required by this Disclosure Agreement to provide Annual Financial Information to the persons and in the manner required by the Thirty-Seventh Supplemental Series Indenture.

Objective Criteria

(a) The objective criteria for identifying a Material Local Government with respect to the 2016C Bonds shall be based upon a determination by VRA on the date of sale of each Series of Bonds pursuant to the Indenture (each a "Sale Date") and as of the end of each of VRA's fiscal years of the level of participation of each Local Government in the Program, which is funded by the Bonds issued under the Indenture. Any Local Government, the aggregate outstanding principal amount of Local Obligations of which represents 15% or more of the aggregate outstanding principal amount of all Local Obligations purchased or acquired with proceeds of Bonds issued under the Master Indenture, shall be a Material Local Government with respect to the 2016C Bonds as long as such Local Government satisfies such objective criteria. VRA shall determine whether any of the Local Governments are (or remain) Material Local Governments as of each Sale Date and as of the end of each of VRA's fiscal years, commencing June 30, 2016.

(b) VRA covenants to require that each Agreement and Financing Lease with a Local Government contain a continuing disclosure undertaking substantially in the form summarized in Appendix I to this Official Statement.

(c) VRA shall, within 45 days of the end of each fiscal year of VRA, notify each Local Government satisfying the objective criteria set forth above that such Local Government is a "Material Local Government" as of the end of such fiscal year.

Format of Disclosure

All documents provided to the MSRB pursuant to the requirements of the Rule shall be accompanied by identifying information as prescribed by the MSRB.

Termination

The obligations of VRA will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the 2016C Bonds.

Amendment

VRA may modify its continuing disclosure obligations without the consent of the underwriters of the 2016C Bonds or Owners of any of the Bonds, provided that the undertaking as so modified complies with the Rule as it exists at the time of modification. VRA shall within a reasonable time thereafter send to the MSRB a description of such modification(s).

Defaults

(a) If VRA fails to comply with any covenant or obligation described in this Appendix H, any holder (within the meaning of the Rule) of Bonds then Outstanding may, by notice to VRA, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of such covenant or obligation.

(b) Notwithstanding anything in the Thirty-Seventh Supplemental Series Indenture to the contrary, any failure of VRA to comply with any covenant or obligation described in this Appendix H shall not (i) be deemed to constitute an event of default under the Bonds or the Indenture or (ii) give rise to any right or remedy other than that described in paragraph (a) above.

Additional Disclosure

VRA may from time to time disclose certain information and data in addition to that described in this Appendix H. Notwithstanding anything in the Indenture to the contrary, VRA shall not incur any obligation to continue to provide, or to update, such additional information or data.

Dissemination Agent

VRA may, in its discretion, from time to time appoint or engage an entity to serve as Dissemination Agent to assist VRA in fulfilling its covenants and obligations described in this Appendix H. VRA may engage or appoint as Dissemination Agent, among others, Digital Assurance Certification LLC or similar organizations that may exist from time to time. It is not necessary that the Dissemination Agent have any agency or other legal, contractual or implied relationship with VRA for purposes of state law.

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APPENDIX I

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS BY LOCAL GOVERNMENTS

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Part I

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS BY LOCAL GOVERNMENTS

The following is a summary of the continuing disclosure undertakings that each Local Government will be required to make under its respective Agreement or Financing Lease for the benefit of the Owners of the 2016C Bonds. Unless otherwise defined, each capitalized term used herein will have the meaning given it above in this Official Statement.

Annual Disclosure

The provisions described under this heading shall apply from the time the Local Government has been notified by VRA that it is a Material Local Government until it has been further notified by VRA that it is no longer a Material Local Government.

(a) The Local Government shall provide or cause to be provided annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the Local Government, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data of the type set forth in Part II hereof for a General Obligation Bond Local Government, a Financing Lease Local Government, a Revenue Bond Local Government or a Double Barrel Bond Local Government, as appropriate.

If the financial statements filed pursuant to this subsection (a) are not audited, the Local Government shall file such statements as audited when available.

(b) The Local Government shall provide or cause to be provided annually the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB within seven months after the end of the Local Government's fiscal year, but only as of the end of a fiscal year during which such Local Government constitutes a "Material Local Government.

(c) Any Annual Disclosure may be included by specific reference to other documents available to the public on the MSRB's internet web site or previously filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The Local Government shall provide or cause to be provided in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, notice specifying any failure of the Local Government to provide the Annual Disclosure by the date specified.

Event Disclosure

Each 2016C Local Government shall notify VRA of the occurrence of any of the following events that may from time to time occur with respect to the Local Obligation, such notice to be given in a timely manner not in excess of five business days after the occurrence of the event:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement maintained with respect to the Local Bond reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the Local Obligation that could affect the tax status of the 2016C Bonds, or other material events with respect to the Local Obligation that could affect the tax status of the 2016C Bonds;

(g) modifications to rights of holders, if material;

(h) bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution, or sale of property securing repayment of the Local Obligation, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Local Government, which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Local Government in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Local Government, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation of a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Local Government;

(m) the consummation of a merger, consolidation, or acquisition involving the Local Government or the sale of all or substantially all of the assets of the Local Government, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms;

(n) appointment of a successor or additional trustee for the Local Obligation, if any, or the change of name of a trustee; and

(o) the failure of the Local Government on or before the date required by the Financing Agreement to provide Annual Financial Information to the persons and in the manner required by the Financing Agreement.

Termination

The obligations of the Local Government will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Amendment

The Local Government may modify its continuing disclosure obligations in the Agreement without the consent of Bondholders, provided that the Agreement as so modified complies with the Rule as it exists at the time of modification. The Local Government shall within a reasonable time thereafter send to VRA and to the MSRB a description of such modifications.

Defaults

(a) If the Local Government fails to comply with any covenant or obligation regarding Annual Disclosure specified in the Agreement, any holder (within the meaning of the Rule) of Bonds then Outstanding may, by notice to the Local Government, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Local Government's covenant to provide the Annual Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Local Government to comply with any obligation regarding Annual Disclosure specified in the Agreement (i) shall not be deemed to constitute an event of default under the Local Obligations, the Bonds or the Indenture and (ii) shall not give rise to any right or remedy other than that described in subsection (a) above.

Additional Disclosure

The Local Government may from time to time disclose certain information and data in addition to the Annual Disclosure. Notwithstanding anything in the Agreement to the contrary, the Local Government shall not incur any obligation to continue to provide, or to update, such additional information or data.

Format of Disclosure

All documents provided to the MSRB pursuant to the requirements of the Rule shall be accompanied by identifying information as prescribed by the MSRB.

Dissemination Agent

The Local Government may, in its discretion, from time to time appoint or engage an entity to serve as Dissemination Agent to assist the Local Government in providing its Annual Disclosure under this Agreement.

Part II

CONTENT OF ANNUAL DISCLOSURE

Operating Data for General Obligation Bond Local Government and Financing Lease Local Government

Description of Local Government. A description of the Local Government, including a summary of its form of government and budgetary processes.

Debt. A description of the terms of the Local Government's outstanding tax-supported and other debt, including capital leases and moral obligations, including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt; a summary of legal debt margin; a summary of overlapping debt; and a summary of annual debt service on outstanding tax-supported debt as of the end of the preceding fiscal year. The Annual Disclosure should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Local Government and any unfunded pension liabilities.

Financial Information and Operating Data. Financial information and operating data respecting the Local Government including a description of revenues and expenditures for its major funds and a summary of its tax policy, structure and collections as of the end of the preceding fiscal year.

Operating Data for Revenue Bond Local Government

Description of Local Government. A description of the Local Government, including a summary description of the revenue-producing system (the "System").

Debt. A description of the terms of the Local Government's outstanding debt including a historical summary of outstanding debt and a summary of annual debt service on outstanding debt as of the end of the preceding fiscal year. The Annual Disclosure should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Local Government and any unfunded pension liabilities.

Financial Information and Operating Data. Financial information for the System as of the end of the preceding fiscal year, including a description of revenues and expenditures, largest users, a summary of rates, fees and other charges of the System, and a historical summary of debt service coverage.

APPENDIX J

REFUNDED BONDS

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The Refunded Bonds include all or a portion of the outstanding principal amount of (i) City of Suffolk, Virginia's General Obligation and Refunding Bonds, Series 2011, (ii) County of York, Virginia's Sewer System Revenue Bond, Series 1992, Sewer System Revenue Refunding Bonds, Series 2005 and Sewer System Revenue Bonds, Series 2010A, and (iii) the maturities of the VRA bond issues listed below.

Issue	**Maturities or Portions Thereof Being Refunded (Years Inclusive)**	**Aggregate Principal Amount to be Refunded**	**Redemption Date or Maturity Date**	**Redemption Price**
Virginia Pooled Financing Program, Senior Series 2006B (Non-AMT)	2018-2030	$6,485,000	11/1/2016	100%
Virginia Pooled Financing Program, Subordinate Series 2006B (Non-AMT)	2018-2030	2,775,000	11/1/2016	100%
Virginia Pooled Financing Program, Subordinate Series 2006C (Non-AMT)	2028-2036	5,130,000	11/1/2016	100%
Virginia Pooled Financing Program, Senior Series 2008A (Non-AMT)	2019-2028	340,000	11/1/2018	100%
Virginia Pooled Financing Program, Subordinate Series 2008A (Non-AMT)	2019-2028	145,000	11/1/2018	100%
Virginia Pooled Financing Program, Senior Series 2009A (ACE)	2020-2028	685,000	11/1/2019	100%
Virginia Pooled Financing Program, Subordinate Series 2009A (ACE)	2020-2028	295,000	11/1/2019	100%
Virginia Pooled Financing Program, Infrastructure Revenue Series 2010A (Tax-Exempt)	2026-2030	3,460,000	11/1/2020	100%
Virginia Pooled Financing Program, Moral Obligation Series 2010A (Tax-Exempt)	2026-2030	1,460,000	11/1/2020	100%
Virginia Pooled Financing Program, Infrastructure Revenue Series 2010B (Tax-Exempt)	2021-2040	23,675,000	11/1/2020	100%
Virginia Pooled Financing Program, Moral Obligation Series 2010B (Tax-Exempt)	2021-2040	10,115,000	11/1/2020	100%
Virginia Pooled Financing Program, Infrastructure Revenue Series 2011A (Tax-Exempt)	2022-2029	2,035,000	11/1/2021	100%

Issue	Maturities or Portions Thereof Being Refunded (Years Inclusive)	Aggregate Principal Amount to be Refunded	Redemption Date or Maturity Date	Redemption Price
Virginia Pooled Financing Program, Moral Obligation Series 2011A (Tax-Exempt)	2022-2029	860,000	11/1/2021	100%
Virginia Pooled Financing Program, Infrastructure Revenue Series 2012A	2023-2042	30,325,000	11/1/2022	100%
Virginia Pooled Financing Program, Moral Obligation Series 2012A	2023-2025 2029-2032 2034-2039	8,030,000	11/1/2022	100%