

**A Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2007



**Timothy M. Kaine**  
Governor

**Jody M. Wagner**  
Secretary of Finance

**David A. Von Moll**  
Comptroller

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# Introductory Section

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Certificate of Achievement for Excellence in Financial Reporting  
Organization of Executive Branch of Government  
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Organization of the Department of Accounts



# COMMONWEALTH OF VIRGINIA

DAVID A. VON MOLL, CPA  
COMPTROLLER

*Office of the Comptroller*

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

December 14, 2007

The Honorable Timothy M. Kaine  
Governor of the Commonwealth of Virginia  
State Capitol  
Richmond, Virginia 23219

Dear Governor Kaine:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007, in accordance with Section 2.2-813 of the *Code of Virginia*. This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2007 CAFR is presented in three sections. The Introductory Section includes this transmittal letter and organization charts for State government. The Financial Section includes the State auditor's report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

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

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2007. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. In addition to the financial analysis addressing the Commonwealth's governmental and business-type activities, the MD&A focuses on the Commonwealth's major funds: the General Fund, the Commonwealth Transportation Special Revenue Fund, the Federal Trust Special Revenue Fund, the Literary Special Revenue Fund, the State Lottery Fund, the Virginia College Savings Plan Fund, and the Unemployment Compensation Fund. The Commonwealth's MD&A can be found on page 29 immediately following the independent auditor's report.

## PROFILE OF THE GOVERNMENT

### REPORTING ENTITY

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

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

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

### BUDGETARY CONTROL

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

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

### INVESTMENT POLICY

The Commonwealth's primary investment objectives are safety of principal, maintenance of needed liquidity, and attaining a market rate of return throughout budgetary and economic cycles. Accordingly, investments are made in compliance with the *Code of Virginia*, with adherence to specific guidelines adopted by the Treasury Board, and with consideration given to the prevailing investment environment.

The general account of the Commonwealth is a pool of investments representing assets of a number of funds, including the General Fund, various higher education operating funds, and the Commonwealth Transportation Trust Fund. These monies are invested in a variety of high quality securities including U.S. Treasury and agency securities, corporate debt securities of domestic corporations, taxable municipal securities, asset-backed securities, mortgage-backed securities, AAA-rated dollar obligations of foreign governments, bankers acceptances, negotiable certificates of deposit and bank notes, repurchase agreements, and money market funds. The general account portfolio is divided into two pools of assets, the primary liquidity pool and the total return pool. The primary liquidity pool is internally managed by Department of the Treasury (Treasury) staff and is the major source for disbursement requirements and operational needs of the Commonwealth. The objective of the total return pool, which is externally managed, is to generate higher total returns over a market cycle than would be generated by the primary liquidity pool. Treasury's allocation target for the overall general account asset mix is currently 75 percent for the primary liquidity pool and 25 percent for the total return pool.

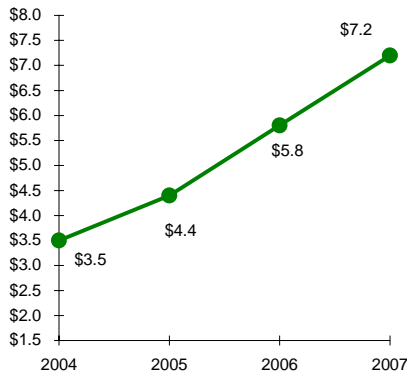
The average daily invested balance (**Figure 1**) for the fiscal year ended June 30, 2007 was \$7.2 billion, up \$1.4 billion from the fiscal year 2006 average. The average yield or return (**Figure 2**) of 5.3 percent for fiscal year 2007 was 190 basis points higher than the 3.4 percent return for fiscal year 2006. The Federal Reserve increased the federal funds rate to 5.25 percent on June 29, 2006. There have been no further rate increases this fiscal year, and very little change in the shape of the yield curve. Any interest earnings over the federal funds rate attained this fiscal year have been from the investment in credit or spread products. Earnings on investments (**Figure 3**) for fiscal year 2007 jumped to \$381.6 million exceeding the \$197.4 million earned in fiscal year 2006.

The earnings increase was the result of the large (24 percent) overall increase in investment balances and the 190 basis point increase in the average earnings rate.

**Average Daily Invested Balance**  
By Fiscal Year

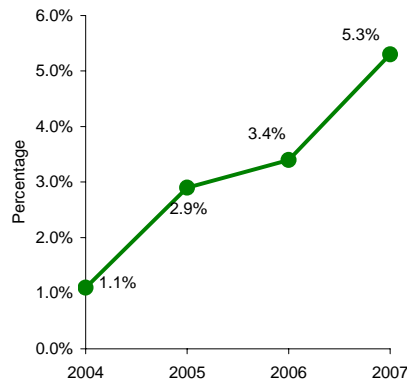
(Dollars in Billions)

Figure 1



**Average Yield on Investments**  
By Fiscal Year

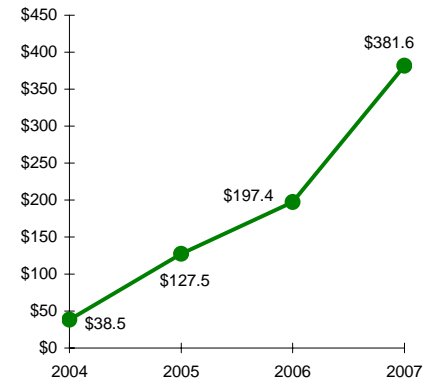
Figure 2



**Net Earnings on Investments**  
By Fiscal Year

(Dollars in Millions)

Figure 3



In addition to the general account of the Commonwealth, the Treasury manages a number of individual customized investment programs and the Local Government Investment Pool (LGIP). The LGIP is a special purpose money market-like fund managed by Treasury staff for the benefit of public entities of the Commonwealth in the investment of their short-term funds. The LGIP enables participants to maximize their return on investments by providing a fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The Treasury Board has adopted investment guidelines for the LGIP, authorizing them to invest in certain high-quality, short-term securities appropriate for money market funds. The LGIP portfolio is rated 'AAAm' by Standard & Poor's. LGIP shareholder balances averaged \$3.1 billion for the fiscal year ended June 30, 2007, with year-end balances of \$4.2 billion.

## DEBT ADMINISTRATION

The Commonwealth is one of only seven states in the nation with 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. These ratings reflect the Commonwealth's long-standing record of sound fiscal management, its diversified economic base, and low debt ratios.

The total debt of the Commonwealth, as of June 30, 2007, was \$24.3 billion, with primary government being \$7.8 billion (**Figure 4**) and component units being \$16.5 billion (**Figure 5**). Of the total, \$7.3 billion (29.9 percent) was tax-supported debt. Debt is considered tax supported if Commonwealth tax revenues are used or pledged for debt service payments. This includes all debt issued pursuant to Article X, Sections 9(a), 9(b) and 9(c) of the *Constitution of Virginia*, as well as selected Section 9(d) debt issues and other long-term obligations.

Outstanding general obligation debt backed by the full faith and credit of the Commonwealth totaled \$1.3 billion at June 30, 2007. Included is Section 9(b) debt totaling \$797.3 million for Public Facilities and \$24.3 million for Transportation Facilities. In 2002, voters in the Commonwealth approved two general obligation bond referenda authorizing \$1.0 billion in new capital projects for educational and park and recreational facilities of the Commonwealth. Of the amount authorized, \$573.9 million has been issued as of June 30, 2007. Principal and interest payments on Public Facilities Section 9(b) debt were less than one percent of total General Fund expenditures in fiscal year 2007.

The balance of general obligation debt of \$490.6 million consisted of Section 9(c) bonds. Revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities and transportation toll facilities, service these bond payments. Holders of Section 9(c) bonds have a legal claim to general tax revenues of the Commonwealth should revenues prove to be insufficient to meet principal and interest payments. Such claims on general tax revenue have not been made.

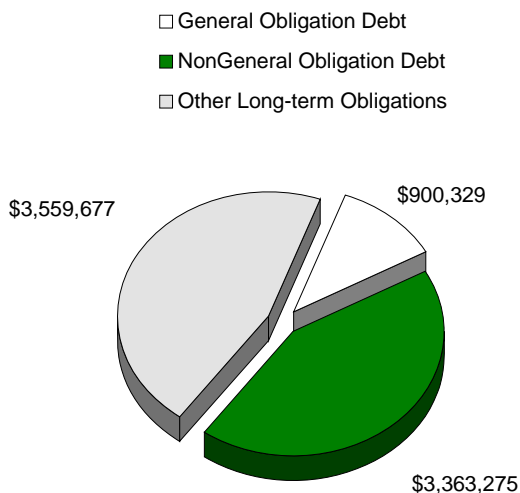


The remaining \$6.0 billion in tax-supported debt is made up of selected Section 9(d) bonded debt and other long-term obligations. Included in this amount is \$3.9 billion in transportation, Virginia Public Building Authority, Innovative Technology Authority, Virginia Biotechnology Research Park Authority, and certain Virginia College Building Authority and Virginia Port Authority bonds. Other tax-supported long-term obligations include capital leases, certain appropriation supported bonds, installment purchases, notes payable, pension liability, Virginia Public Broadcasting Board Notes, and compensated absences.

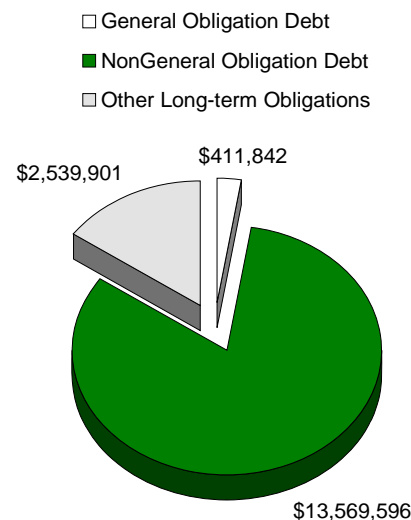
The remaining debt of the Commonwealth, which totals \$17.0 billion, is not supported by tax revenues. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. At June 30, 2007, \$1.1 billion, or 6.6 percent, of debt not supported by taxes was considered moral obligation debt.

A detailed summary of all the debt issues may be found in Note 23 to the Financial Statements, as well as in the section entitled "Debt Schedules."

**Total Outstanding Debt  
Primary Government**  
June 30, 2007  
*(Dollars in Thousands)* *Figure 4*



**Total Outstanding Debt  
Component Units**  
June 30, 2007  
*(Dollars in Thousands)* *Figure 5*



**RISK MANAGEMENT**

The Commonwealth maintains self-insurance programs for employee health, general (tort) liability, medical malpractice, workers' compensation, property, and automobile liability insurance. These are reported in the Internal Service Funds. The Commonwealth assumes the full risk for claims filed under the employee health insurance program and the workers' compensation program. For the other programs, the risk assumed is limited to certain amounts per occurrence.

The Commonwealth also provides employee health, errors and omissions liability and law enforcement professional liability insurance for local governmental units throughout the Commonwealth. These programs are reported in the Enterprise Funds. Additional information on all risk management programs is presented in Note 20 to the Financial Statements.

**RETIREMENT SYSTEMS**

The Commonwealth provides a variety of retirement plans for its employees. The majority of employees participate in one of the four defined benefit plans administered by the Commonwealth. These defined benefit plans are the Virginia Retirement System, the State Police Officers' Retirement System, the Judicial Retirement System, and the Virginia Law Officers' Retirement System. Certain employees may elect to participate in selected defined contribution pension plans. Further information on the Commonwealth's participation in the retirement systems can be found in Note 13 to the Financial Statements.

# ECONOMIC OUTLOOK

## LOCAL ECONOMY

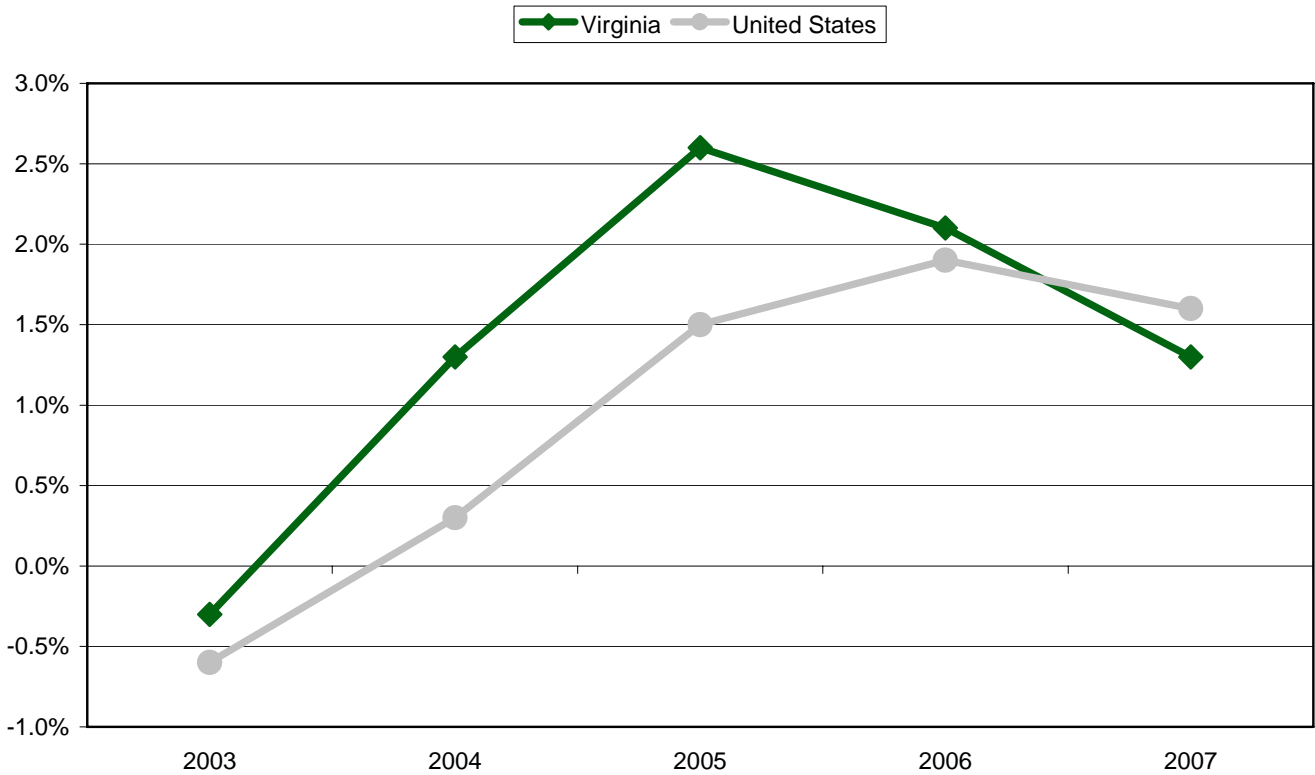
### Introduction

Economists at the University of Virginia's Weldon Cooper Center for Public Service prepared this economic highlights section. In fiscal year 2007, the Commonwealth's economy continued to expand, but at a slower pace than in recent years. The analysis in this section covers the last five years in order to provide perspective on developments in fiscal year 2007.

### Employment

In fiscal year 2007, Virginia's nonfarm payroll employment increased by 48,000 or 1.3 percent. As shown in **Figure 6**, in relative terms, the increase was far below the preceding two years, but matched the gain in 2004. The Commonwealth's growth rate in 2007 was below the national growth rate of 1.6 percent. In earlier years, Virginia consistently outperformed the nation. One must go back to fiscal year 1996 to find a previous case when the national growth rate was higher.

**Figure 6**  
Percentage Change of Nonfarm Payroll Employment  
Fiscal Year 2003 – Fiscal Year 2007



Source: U. S. Bureau of Labor Statistics

**Figure 7** shows changes in employment by industry based on the North American Industry Classification System (NAICS). All industries except construction, manufacturing, and information exhibited positive employment gains in fiscal year 2007. The largest relative gains were in the natural resources and mining industry. However, in terms of change in number of employees, the professional and business services, and educational and health services exceeded all others. **Figure 7** also shows fiscal year 2007 industry growth rates for the nation. As previously noted, Virginia's overall growth rate was slightly below the national rate. A number of important Virginia industries, including construction and manufacturing, underperformed in relation to national counterparts.

**Figure 7**  
**Nonfarm Payroll Employment**  
**Fiscal Year 2003 – Fiscal Year 2007**

NAICS Industry	Virginia Employment (000)					Change, Fiscal Year 2006 – Fiscal Year 2007		
						Virginia		
	2003	2004	2005	2006	2007	Number (000)	Percent	U.S., Percent
Natural resources and mining	10.2	10.2	10.4	11.1	11.5	0.4	3.6	7.8
Construction	213.9	224.3	237.3	248.9	248.6	(0.3)	(0.1)	1.6
Manufacturing	313.9	299.4	298.0	292.7	286.5	(6.2)	(2.1)	(0.5)
Wholesale trade	112.9	113.8	115.7	118.5	121.2	2.7	2.3	2.0
Retail trade	402.1	409.2	414.8	422.3	426.1	3.8	0.9	0.1
Transportation and utilities	119.2	118.4	121.1	120.4	121.3	0.9	0.7	1.9
Information	102.3	100.7	94.9	92.0	91.9	(0.1)	(0.1)	0.6
Financial activities	184.2	187.6	190.8	194.1	197.2	3.1	1.6	2.0
Professional and business services	545.2	561.3	593.6	618.5	636.4	17.9	2.9	2.8
Education and health services	366.7	374.9	387.4	399.6	409.0	9.4	2.4	2.7
Leisure and hospitality	305.9	314.3	325.1	334.4	341.0	6.6	2.0	3.2
Other services	177.7	177.0	180.5	181.1	183.1	2.0	1.1	0.7
Federal civilian government	147.2	149.8	151.7	152.7	153.6	0.9	0.6	(0.4)
State government	143.1	143.9	147.6	151.3	153.2	1.9	1.3	1.3
Local government	345.6	349.9	357.4	364.6	369.6	5.0	1.4	1.5
<b>Total Nonfarm Employment</b>	<b>3,490.1</b>	<b>3,534.7</b>	<b>3,626.3</b>	<b>3,702.2</b>	<b>3,750.2</b>	<b>48.0</b>		

Source: U.S. Bureau of Labor Statistics

Note: Details may not add to totals due to rounding.

Employment grew in fiscal year 2007 in all of Virginia's metropolitan statistical areas (MSAs) except Danville, which experienced a 3.5 percent decline. Growth rates in the other MSAs ranged from 0.4 percent in Blacksburg-Christiansburg-Radford to 5.5 percent in Harrisonburg as shown in **Figure 8**. Northern Virginia's growth was 1.8 percent, a lower growth rate than in previous years except 2003, when the nation was emerging from a recession. Nonetheless, this area, which is the largest of Virginia's labor markets, experienced a net increase of 23,000 jobs, the most of any area in the Commonwealth. The nonmetropolitan portions of the Commonwealth, which include rural areas in the Chesapeake Bay area, the southern part of the Commonwealth adjoining North Carolina, and mountainous southwest Virginia, had a 1.7 percent decline in employment.

**Figure 8**  
**Nonfarm Payroll Employment of Virginia MSAs**  
**Fiscal Year 2003 – Fiscal Year 2007**

	Percent Change				
	2003	2004	2005	2006	2007
State	(0.3)	1.3	2.6	2.1	1.3
<b>Metropolitan Area*</b>		1.9	2.7	2.3	1.7
Blacksburg-Christiansburg-Radford	1.5	1.6	0.6	1.0	0.4
Charlottesville	0.6	0.9	3.1	3.7	3.5
Danville	1.5	(3.3)	(2.5)	(1.2)	(3.5)
Harrisonburg	1.4	3.1	0.2	2.5	5.5
Lynchburg	(0.3)	0.9	2.0	2.2	2.2
Va. Beach-Norfolk-Newport News**	0.3	1.0	1.7	1.2	0.9
Northern Va.	(0.2)	3.5	4.1	3.4	1.8
Richmond	(0.3)	1.7	2.5	1.5	2.1
Roanoke	(1.5)	(2.4)	0.6	2.3	1.6
Winchester**	2.2	3.3	2.2	3.7	4.4
<b>Non-metropolitan</b>	(2.0)	(3.3)	2.1	0.6	(1.7)

Source: U.S. Bureau of Labor Statistics and Virginia Employment Commission

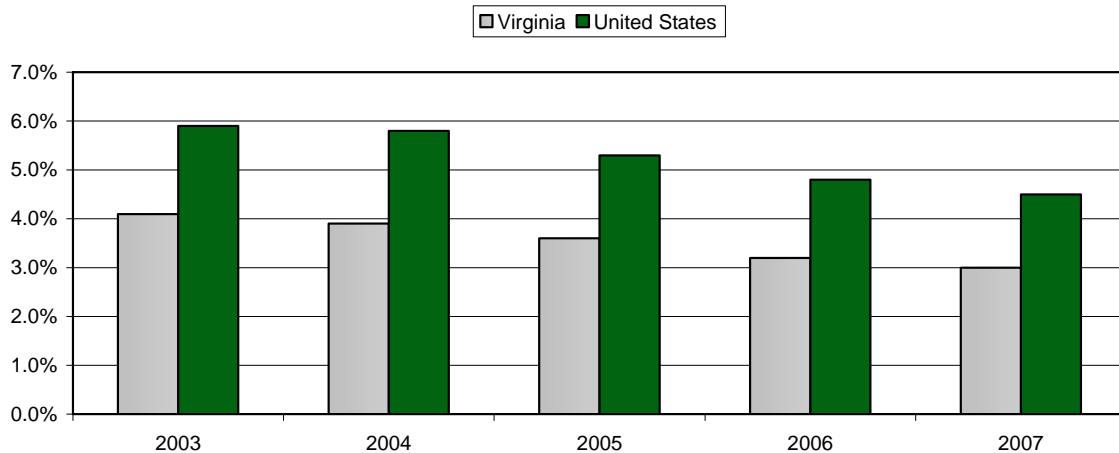
\*Excludes Kingsport-Bristol MSA, most of which is located in Tennessee.

\*\*Excludes non-Virginia portion.

## Unemployment

In fiscal year 2007, only 121,273 Virginians or 3 percent of the 4,038,301 civilian labor force were unemployed. In relation to the national average, which was 4.5 percent, Virginia had an enviably low rate. In fact, the Commonwealth's number of unemployed and rate of unemployment were the lowest in the five years shown in **Figure 9**. Furthermore, the Commonwealth's unemployment rate was consistently below the national rate.

**Figure 9**  
**Civilian Unemployment Rate**  
**Fiscal Year 2003 – Fiscal Year 2007**



Source: U.S. Bureau of Labor Statistics and Virginia Employment Commission

With the exception of the Danville MSA, unemployment rates in the Commonwealth's eleven metropolitan statistical areas were uniformly low in fiscal year 2007, ranging from 2.2 percent in the Northern Virginia portion of the Washington DC-MD-VA-WV MSA to 4.4 percent in the Virginia portion of the Kingsport-Bristol TN-VA MSA. Danville, hit hard by employment declines in textile manufacturing, had a 6.7 percent unemployment rate. Eight MSAs experienced a decline in unemployment rates in fiscal year 2007 from the previous year and all had lower rates in 2007 than in 2003 as shown in **Figure 10**.

**Figure 10**  
**Civilian Unemployment Rates of Virginia MSAs**  
**Fiscal Year 2003 – Fiscal Year 2007**

MSA	2003	2004	2005	2006	2007
Blacksburg-Christiansburg-Radford	4.2	4.3	3.9	3.5	3.7
Charlottesville	3.3	3.4	3.0	2.6	2.5
Danville	7.1	7.5	7.6	7.1	6.7
Harrisonburg	3.3	2.9	3.1	2.7	2.5
Kingsport-Bristol TN-VA*	5.5	5.5	4.9	4.5	4.4
Lynchburg	4.9	4.6	4.0	3.5	3.3
Richmond	4.2	4.0	3.8	3.4	3.1
Roanoke	4.2	3.9	3.6	3.1	3.1
Va. Beach-Norfolk-Newport News, VA-NC*	4.3	4.2	4.2	3.6	3.3
Washington DC-MD-VA-WV*	3.2	2.9	2.6	2.3	2.2
Winchester, VA-WV*	3.6	3.2	2.9	2.5	2.8

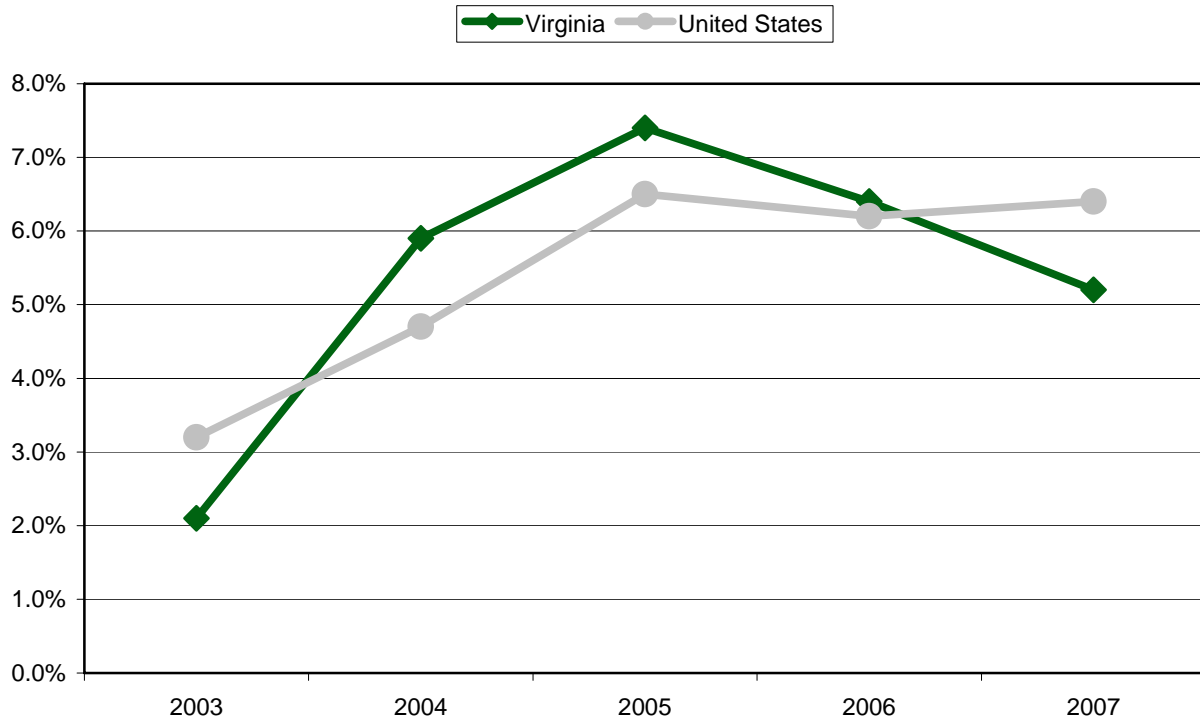
Source: U.S. Bureau of Labor Statistics and Virginia Employment Commission

\*Excludes non-Virginia portion.

## Personal Income

Developments in personal income have a strong bearing on Commonwealth government revenues since collections from the individual income tax and the retail sales tax are closely tied to income. In fiscal year 2007, Virginia personal income in current dollars grew by 5.2 percent. As shown in **Figure 11**, this was below the national rate of 6.4 percent and below the Commonwealth's rate in the three preceding years.

**Figure 11**  
**Percentage Change in Personal Income**  
**Fiscal Year 2003 – Fiscal Year 2007**



Source: U. S. Bureau of Economic Analysis

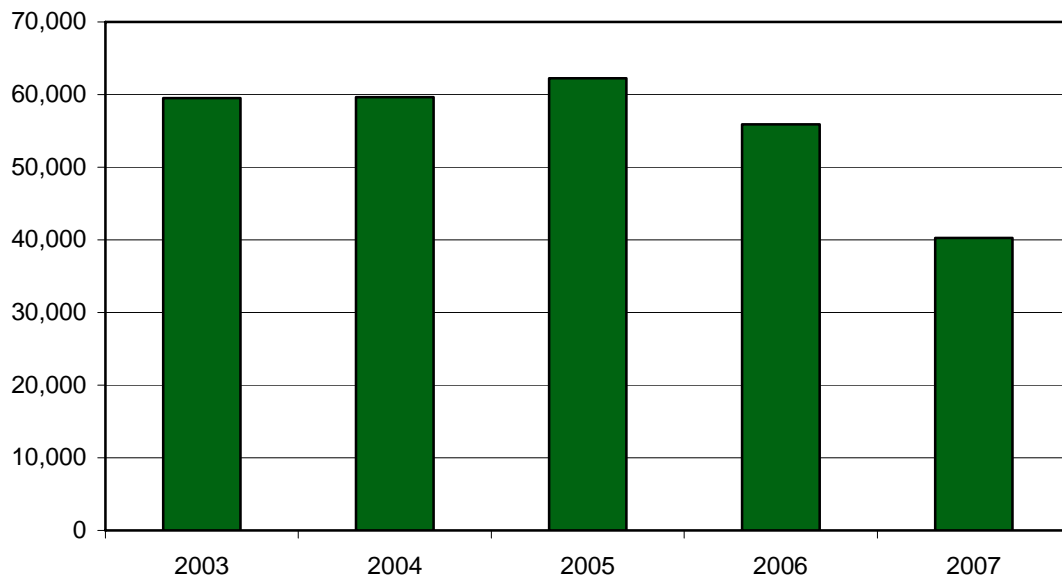
There are three major components of personal income. The first and largest is net earnings by place of residence, which is the sum of wages and salaries and proprietors' income. In fiscal year 2007, Virginia's net earnings rose by 4.7 percent versus 5.4 percent nationally. Dividends, interest, and rent, the second component, increased by 4.2 percent while the national rate was 9.9 percent. The third component, transfer payments such as Social Security income, grew by 9.9 percent compared to 7 percent for the nation.

## Housing Market

The housing slump, which began in fiscal year 2006, became much worse in fiscal year 2007 as shown in **Figure 12**. Permits for new residential units dropped by 28 percent to reach a level of 40,261 after declining by 10.2 percent in the previous year. Virginia's relative decline in fiscal year 2007 was about the same as for the nation as a whole, which experienced a 25.2 percent drop.

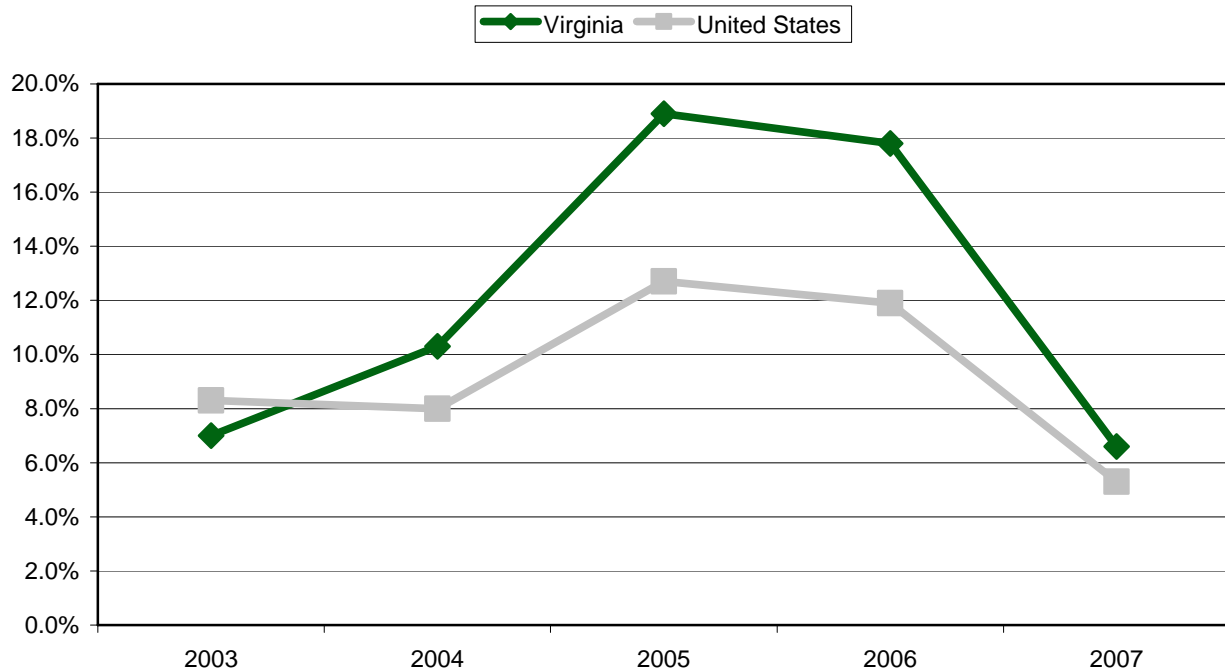
Another indicator of the severity of the housing slump is the series on house prices published by the Office of Federal Housing Enterprise Oversight. As shown in **Figure 13**, fiscal year price appreciation of existing houses slowed to 6.6 percent in fiscal year 2007 after double-digit increases in the preceding three years. Virginia's experience mirrored that of the nation, but the degree of inflation was greater. The Commonwealth's average was greatly affected by developments in Northern Virginia, which until recently was one of the hottest major metropolitan area real estate markets.

**Figure 12**  
**Virginia New Privately Owned Housing Units Authorized**  
**Fiscal Year 2003 – Fiscal Year 2007**



Source: U. S. Bureau of the Census

**Figure 13**  
**Percentage Change in House Prices**  
**Fiscal Year 2003 – Fiscal Year 2007**



Source: Office of Federal Housing Oversight

## Conclusion

Fiscal year 2007 was a good but not spectacular year for the Virginia economy. The current housing slump and related problems in financial markets will create difficult conditions in fiscal year 2008 for the Virginia economy especially in the construction and real estate industries. Nonetheless, Virginia's strategic location on the east coast with proximity to major markets and a fine seaport and the importance of the federal government as employer and contractor, provide economic muscle for adjusting to the fluctuations in the national and international economies.



## **MAJOR INITIATIVES**

The CAFR has received unqualified audit opinions from fiscal year 1986 through fiscal year 2006. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unqualified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

### **ENTERPRISE APPLICATION PROJECT**

The Commonwealth has initiated the planning process to replace its aging administrative systems with an integrated enterprise application. The first phase targets the budget development system, and the Commonwealth is currently in the procurement stage.

### **AGENCY RISK MANAGEMENT AND INTERNAL CONTROL STANDARDS**

In November 2006, the State Comptroller issued standards for establishing and assessing agency internal controls in order to more effectively manage risk and maintain accountability. Each year, agency heads certify to the State Comptroller and to the Auditor of Public Accounts that they have established, maintained and evaluated their agency's internal control framework. These new standards provide the basis against which these certifications will be measured. These standards incorporate best practices in internal control management and are an integral component of the Commonwealth's financial management goals.

### **REPORTING FOR OTHER POSTEMPLOYMENT BENEFITS**

The GASB has issued accounting and reporting standards for other postemployment benefits. The Virginia Retirement System has implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan*, in the System's published financial statements for the fiscal year ended June 30, 2007. The Commonwealth, as an employer, will implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2008.

The Commonwealth's OPEB programs consist of Pre-Medicare Retiree Healthcare, Line of Duty Death and Disability, Life Insurance, Long-term Disability and Health Insurance Credit. These programs promise benefits to individuals who perform services for government today to be paid following the conclusion of their service. Currently, the Commonwealth and most other government employers finance OPEB plans on a pay-as-you-go basis. Our financial statements generally do not report the financial effects of OPEB until the promised and earned benefits are paid, years after the related employee services are received.

These reporting standards will require expenses associated with these programs to be calculated and reported as the services are performed and the benefits are "earned" on an actuarial basis even though payment is deferred until after service ends. Obligations will be reported in the Commonwealth's financial statements with other "pension-like" information on funding status in the footnotes and supplementary information. These new reporting standards will raise the reporting profile of these liabilities and will pose challenges to governments on the decision of whether to pre-fund these benefits completely or partially in a manner similar to that of our pension commitments.

The Commonwealth has begun preparations to incorporate the required disclosures in the CAFR by obtaining actuarial valuations for the years ended June 30, 2005, June 30, 2006, and June 30, 2007. Based upon the most recent valuation, the Commonwealth's estimated annual required OPEB contribution is \$294.7 million and the estimated unfunded actuarial liabilities are \$2.1 billion.

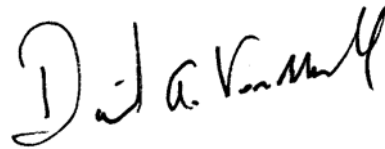
## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last 21 consecutive years (fiscal years 1986-2006). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David A. Venable". The signature is written in a cursive style with a large initial "D".

Comptroller of the Commonwealth of Virginia

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Commonwealth of Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Emmer*

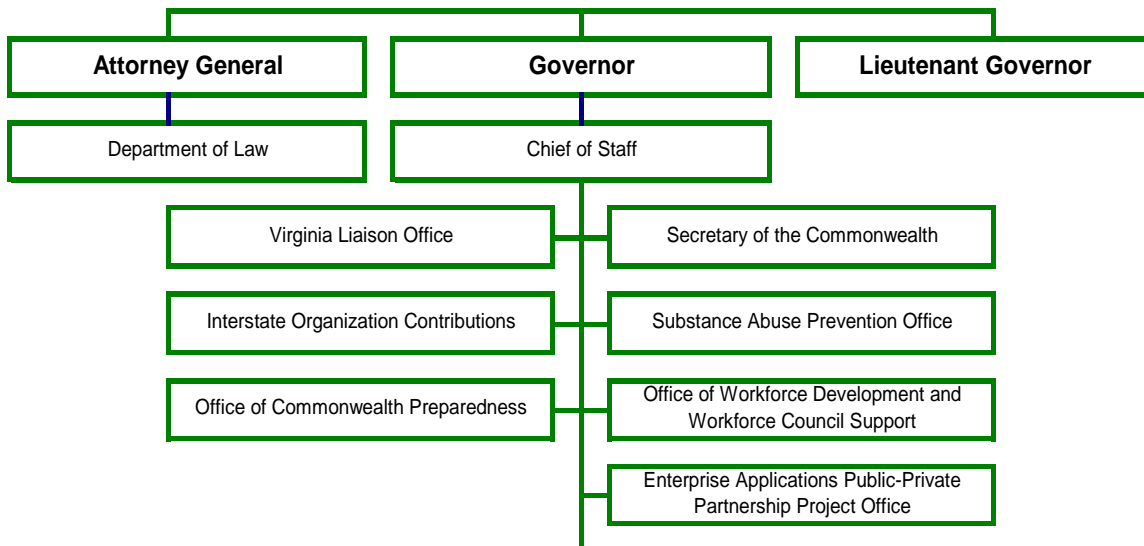
Executive Director



# Organization Charts

# Organization of Executive Branch of Government

As of June 30, 2007



## Secretary of Administration

Compensation Board  
 Department of Charitable Gaming  
 Department of Employment Dispute Resolution  
 Department of General Services  
 Department of Human Resource Management  
 Department of Minority Business Enterprise  
 Human Rights Council  
 State Board of Elections

## Secretary of Agriculture and Forestry

Department of Agriculture and Consumer Services  
 Department of Forestry

## Secretary of Commerce and Trade

Board of Accountancy  
 Department of Business Assistance  
 Department of Housing and Community Development  
 Department of Labor and Industry  
 Department of Mines, Minerals and Energy  
 Department of Professional and Occupational Regulation  
 Virginia Economic Development Partnership  
 Virginia Employment Commission  
 Virginia Racing Commission  
 Virginia Tourism Authority

## Secretary of Natural Resources

Chippokes Plantation Farm Foundation  
 Department of Conservation and Recreation  
 Department of Environmental Quality  
 Department of Game and Inland Fisheries  
 Department of Historic Resources  
 Marine Resources Commission  
 Virginia Museum of Natural History

## Secretary of Education

Christopher Newport University  
 The College of William and Mary  
 Department of Education  
 Frontier Culture Museum of Virginia  
 George Mason University  
 Gunston Hall  
 Higher Education Research Initiative  
 Institute for Advanced Learning and Research  
 James Madison University  
 Jamestown-Yorktown Foundation  
 Jamestown 2007  
 The Library of Virginia  
 Longwood University  
 New College Institute  
 Norfolk State University  
 Old Dominion University  
 Radford University  
 Roanoke Higher Education Authority  
 The Science Museum of Virginia  
 Southern Virginia Higher Education Center  
 Southwest Virginia Higher Education Center  
 State Council of Higher Education for Virginia  
 University of Mary Washington  
 University of Virginia  
 Virginia College Building Authority  
 Virginia Commission for the Arts  
 Virginia Commonwealth University  
 Virginia Community College System  
 Virginia Military Institute  
 Virginia Museum of Fine Arts  
 Virginia Polytechnic Institute and State University  
 Virginia School for the Deaf and Blind at Staunton  
 Virginia School for the Deaf, Blind and Multi-Disabled at Hampton  
 Virginia State University

## Secretary of Finance

Department of Accounts  
 Department of Planning and Budget  
 Department of Taxation  
 Department of the Treasury  
 Treasury Board

## Secretary of Health and Human Resources

Comprehensive Services for At-Risk Youth and Families  
 Department for the Aging  
 Department for the Blind and Vision Impaired  
 Department for the Deaf and Hard-of-Hearing  
 Department of Health  
 Department of Health Professions  
 Department of Medical Assistance Services  
 Department of Mental Health, Mental Retardation and Substance Abuse Services  
 Department of Rehabilitative Services  
 Department of Social Services  
 Office of the Inspector General  
 Virginia Board for People with Disabilities

## Secretary of Public Safety

Commonwealth's Attorneys' Services Council  
 Department of Alcoholic Beverage Control  
 Department of Correctional Education  
 Department of Corrections  
 Department of Criminal Justice Services  
 Department of Emergency Management  
 Department of Fire Programs  
 Department of Forensic Science  
 Department of Juvenile Justice  
 Department of Military Affairs  
 Department of State Police  
 Department of Veterans' Services  
 Virginia Parole Board

## Secretary of Technology

Innovative Technology Authority  
 Virginia Information Technologies Agency

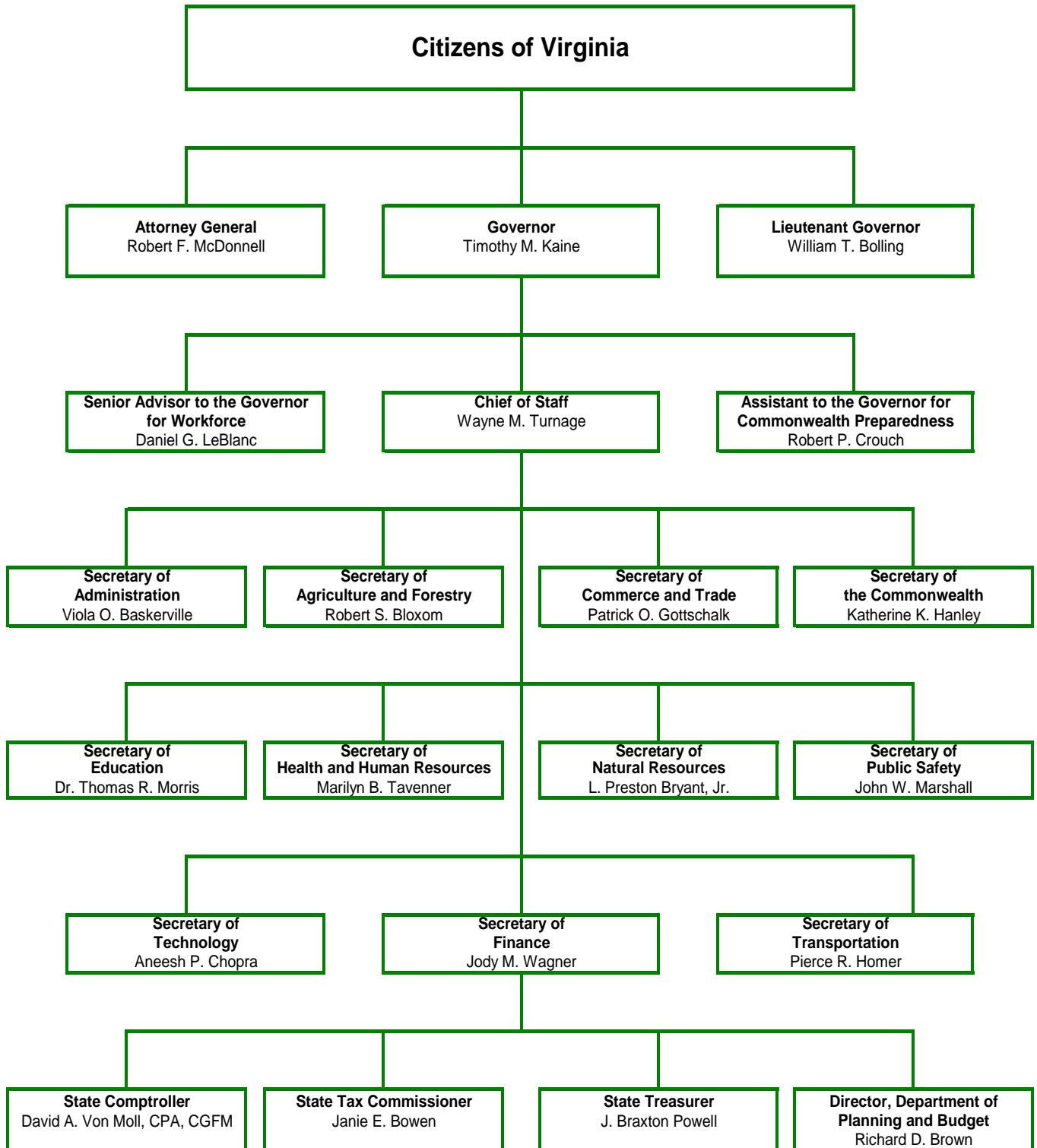
## Secretary of Transportation

Board of Towing and Recovery Operations  
 Department of Aviation  
 Department of Motor Vehicles  
 Department of Rail and Public Transportation  
 Department of Transportation  
 Motor Vehicle Dealer Board  
 Virginia Port Authority

# Organization of Government

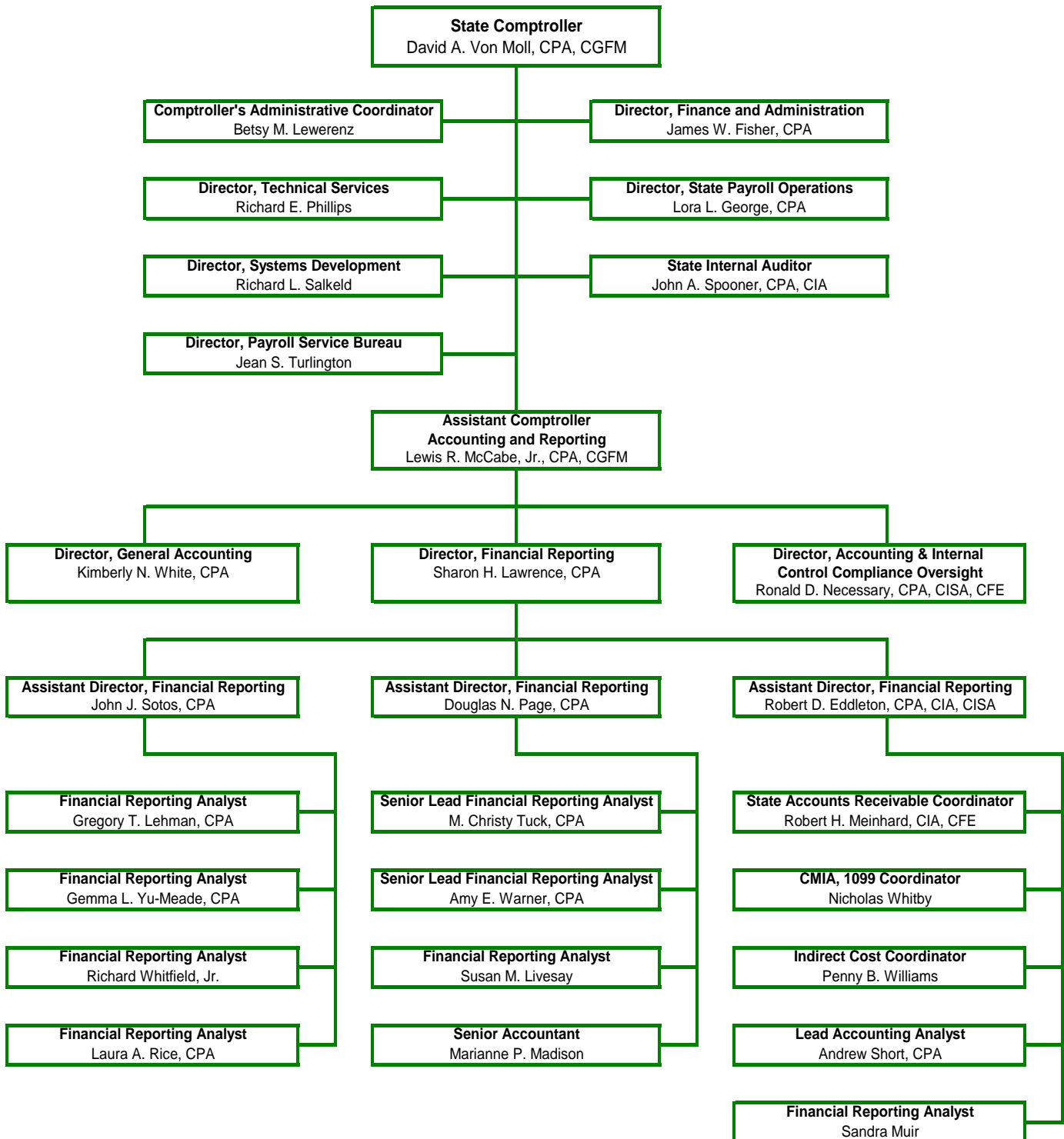
## Selected Government Officials - Executive Branch

As of December 15, 2007



# Organization of the Department of Accounts

As of December 15, 2007





# Financial Section

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



# Commonwealth of Virginia

Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

December 14, 2007

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit and Review Commission  
General Assembly Building  
Richmond, Virginia

## INDEPENDENT AUDITOR'S REPORT

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, 2007, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain components units of the Commonwealth discussed in Note 1.B., which represent 31.38 percent, 19.76 percent, and 7.74 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain component units discussed in Note 1.B. is 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, Virginia Museum of Fine Arts Foundation, Science Museum of Virginia Foundation, Library of Virginia Foundation, Belmont Bay Science Center 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 31 to the financial statements, the Commonwealth changed the method for computing its liability related to deferred taxes in fiscal year 2007. Also disclosed in Note 31 to the financial statements, the Commonwealth changed the method for reporting amounts due from the General Fund and the Department of Treasury's reimbursement programs to higher education institution component units in fiscal year 2007.

The management's discussion and analysis, budgetary comparison schedule, funding progress for defined benefit pension plans, funding progress for other post-employment benefit plans and claims development information on pages 29 through 38 and 156 through 168 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, our report dated December 14, 2007, 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 under separate cover. 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 and should be considered in assessing the results of our audit.



WALTER J. KUCHARSKI  
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, 2007. 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 exceeded its liabilities at June 30, 2007, by \$17.8 billion. Net assets of governmental activities increased by \$380.7 million and net assets of business-type activities increased by \$274.6 million. Component units reported an increase in net assets of \$3.3 billion from June 30, 2006.

#### Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$5.56 billion, an increase of \$209.0 million in comparison with the prior year. Of this total fund balance, \$3.76 billion represents unreserved fund balance and the remaining \$1.8 billion represents amounts reserved for specific purposes, such as the Revenue Stabilization Fund and education. The enterprise funds reported net assets at June 30, 2007, of \$1.1 billion, an increase of \$273.2 million during the year.

While the Commonwealth's combined governmental funds increased during fiscal year 2007, the General Fund actual revenues were \$231.7 million less than final budgeted revenues. This has contributed to a projected budgeted shortfall of \$638.4 million for the fiscal year 2007 and 2008 biennial budget cycle. See page 36 for additional information.

#### Long-term Debt

The Commonwealth's total debt rose during the fiscal year to \$24.3 billion, an increase of \$2.8 billion or 12.8 percent. During fiscal year 2007, the Commonwealth issued new debt in the amount of \$776.3 million for the primary government and \$3.6 billion for the component units. More detailed information regarding these activities begins on page 127.

### 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 Assets (pages 40 and 41) presents information on all of the Commonwealth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during fiscal year 2007. All changes in net assets 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 Assets 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 State 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 are 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 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 14 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 10 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 State 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 25 individual proprietary funds. Information is presented separately in the proprietary fund statements for the State Lottery Department, 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 Assets and Changes in Fiduciary Net Assets beginning on page 63.

The Commonwealth's fiduciary funds are the:

- Private-purpose Trust, which reports the activities for 6 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
- Pension and Other Employee Benefit Trust, which reports the activities of 11 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 19 separate funds.

Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Component Units** – The government-wide financial statements report information for all component units aggregated in a single column. Information is provided separately in the component unit fund statements for the Virginia Housing Development Authority, Virginia Public School Authority, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University, 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 for pension and other post-employment benefits, 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 169 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 exceeded its liabilities by \$17.8 billion during the fiscal year. The net assets of the governmental activities increased \$380.7 million or 2.3 percent. Business-type activities had an increase of \$274.6 million or 32.7 percent, primarily due to increases for the Virginia College Savings Plan and the Unemployment Compensation Fund. The government-wide beginning balance was restated for changes in accounting principle and the correction of prior year errors to arrive at a restated beginning balance of \$17.1 billion.

**Figure 14**  
**Net Assets as of June 30, 2007 and 2006**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 11,064,189	\$ 10,464,130	\$ 3,707,277	\$ 3,350,846	\$ 14,771,466	\$ 13,814,976
Capital assets	17,147,969	16,256,479	32,444	38,288	17,180,413	16,294,767
Total assets	<u>28,212,158</u>	<u>26,720,609</u>	<u>3,739,721</u>	<u>3,389,134</u>	<u>31,951,879</u>	<u>30,109,743</u>
Long-term liabilities outstanding	5,751,429	5,347,968	2,071,852	1,992,856	7,823,281	7,340,824
Other liabilities	5,789,202	5,081,771	553,441	556,420	6,342,643	5,638,191
Total liabilities	<u>11,540,631</u>	<u>10,429,739</u>	<u>2,625,293</u>	<u>2,549,276</u>	<u>14,165,924</u>	<u>12,979,015</u>
Net assets:						
Invested in capital assets, net of related debt	13,834,236	12,906,863	29,834	32,322	13,864,070	12,939,185
Restricted	1,892,920	1,581,079	872,174	790,087	2,765,094	2,371,166
Unrestricted	944,371	1,802,928	212,420	17,449	1,156,791	1,820,377
Total net assets	<u>\$ 16,671,527</u>	<u>\$ 16,290,870</u>	<u>\$ 1,114,428</u>	<u>\$ 839,858</u>	<u>\$ 17,785,955</u>	<u>\$ 17,130,728</u>

The largest portion of the Primary Government's net assets (78.0 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and infrastructure), less any related outstanding debt 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 14**).

An additional portion of the Primary Government's net assets (15.6 percent) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of \$1.16 billion is unrestricted net assets (**Figure 14**).

Approximately 58.2 percent of the Primary Government's total revenue came from taxes. While the Primary Government's expenses cover many services, the largest expenses are for Education and Individual and Family Services. General revenues normally fund governmental activities. For fiscal year 2007, governmental activity expenses exceeded program and general revenues by \$203.3 million. Program revenues exceeded expenses from business-type activities by \$814.9 million. The following condensed financial information (**Figure 15**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets (see page 42).



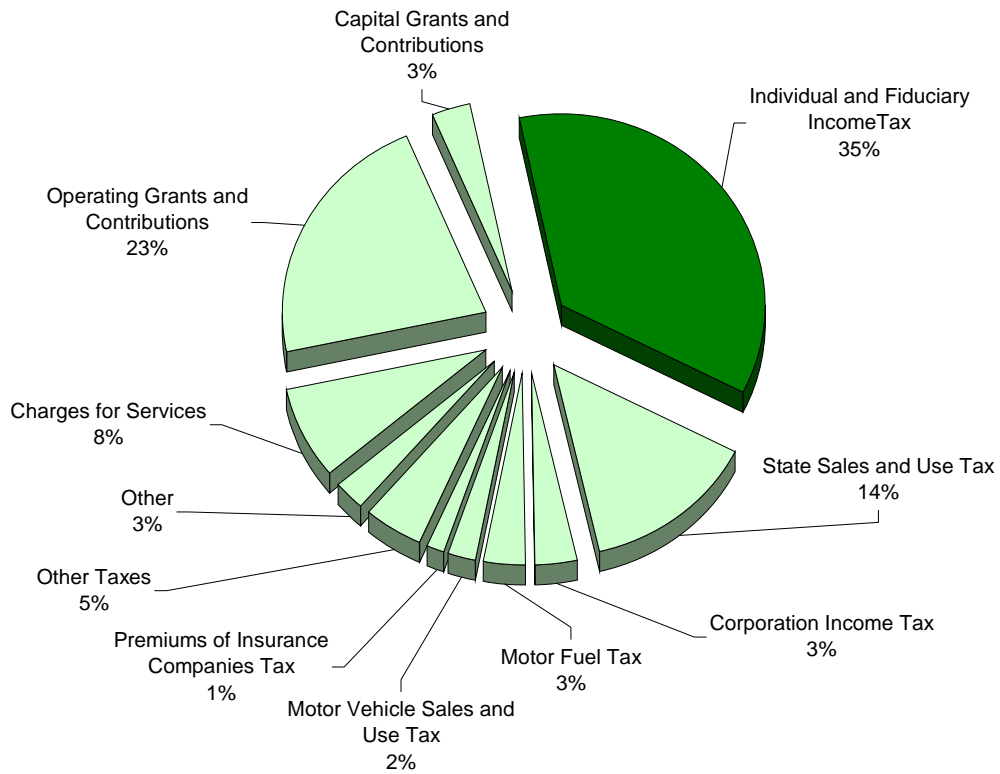
**Figure 15**  
**Changes in Net Assets for the Fiscal Years Ended June 30, 2007 and 2006**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,109,855	\$ 2,122,637	\$ 2,991,653	\$ 2,990,035	\$ 5,101,508	\$ 5,112,672
Operating Grants and Contributions	5,869,805	5,670,650	36,091	26,508	5,905,896	5,697,158
Capital Grants and Contributions	850,561	706,661	-	-	850,561	706,661
General Revenues:						
Taxes:						
Individual and Fiduciary Income	9,639,024	9,338,553	-	-	9,639,024	9,338,553
State Sales and Use	3,755,896	3,678,736	-	-	3,755,896	3,678,736
Corporation Income	905,852	857,577	-	-	905,852	857,577
Motor Fuel	929,723	937,614	-	-	929,723	937,614
Motor Vehicle Sales and Use	588,471	593,092	-	-	588,471	593,092
Deeds, Contracts, Wills, and Suits	583,782	695,711	-	-	583,782	695,711
Premiums of Insurance Companies	384,894	373,781	-	-	384,894	373,781
Alcoholic Beverage Sales Tax	100,160	94,364	-	-	100,160	94,364
Tobacco Products	187,726	189,492	-	-	187,726	189,492
Estate	140,379	166,573	-	-	140,379	166,573
Public Service Corporations	88,672	91,000	-	-	88,672	91,000
Beer and Beverage Excise	43,804	44,035	-	-	43,804	44,035
Wine and Spirits/ABC Liter	18,020	16,372	-	-	18,020	16,372
Bank Stock	12,624	12,405	-	-	12,624	12,405
Other Taxes	74,906	77,241	12,430	12,159	87,336	89,400
Unrestricted Grants and Contributions	50,138	48,109	-	-	50,138	48,109
Investment Earnings	477,212	221,533	10,779	12,179	487,991	233,712
Miscellaneous	153,506	114,732	391	584	153,897	115,316
Total Revenues	26,965,010	26,050,868	3,051,344	3,041,465	30,016,354	29,092,333
Expenses:						
General Government	2,644,920	1,902,292	-	-	2,644,920	1,902,292
Education	9,542,461	8,027,980	-	-	9,542,461	8,027,980
Transportation	2,255,720	2,560,183	-	-	2,255,720	2,560,183
Resources and Economic Development	840,722	834,189	-	-	840,722	834,189
Individual and Family Services	9,022,492	8,569,529	-	-	9,022,492	8,569,529
Administration of Justice	2,658,644	2,462,645	-	-	2,658,644	2,462,645
Interest and Charges on Long-term Debt	203,372	209,116	-	-	203,372	209,116
State Lottery	-	-	929,369	908,040	929,369	908,040
Virginia College Savings Plan	-	-	179,530	238,158	179,530	238,158
Unemployment Insurance	-	-	381,660	338,624	381,660	338,624
Alcoholic Beverage Control	-	-	433,944	408,099	433,944	408,099
Local Choice Health Care	-	-	179,032	164,526	179,032	164,526
Nonmajor	-	-	109,261	146,940	109,261	146,940
Total Expenses	27,168,331	24,565,934	2,212,796	2,204,387	29,381,127	26,770,321
Excess/deficiency before transfers	(203,321)	1,484,934	838,548	837,078	635,227	2,322,012
Transfers	563,978	580,712	(563,978)	(580,712)	-	-
Contributions to Permanent Funds	20,000	-	-	-	20,000	-
Special Items	-	-	-	164,216	-	164,216
Increase in net assets	380,657	2,065,646	274,570	420,582	655,227	2,486,228
Net assets, July 1, as restated	16,290,870	14,225,224	839,858	419,276	17,130,728	14,644,500
Net assets, June 30	\$ 16,671,527	\$ 16,290,870	\$ 1,114,428	\$ 839,858	\$ 17,785,955	\$ 17,130,728

## Governmental Activities Revenues

**Figure 16** is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$914.1 million, or 3.5 percent. This increase is mainly attributable to activities of the General Fund which are discussed further on page 36.

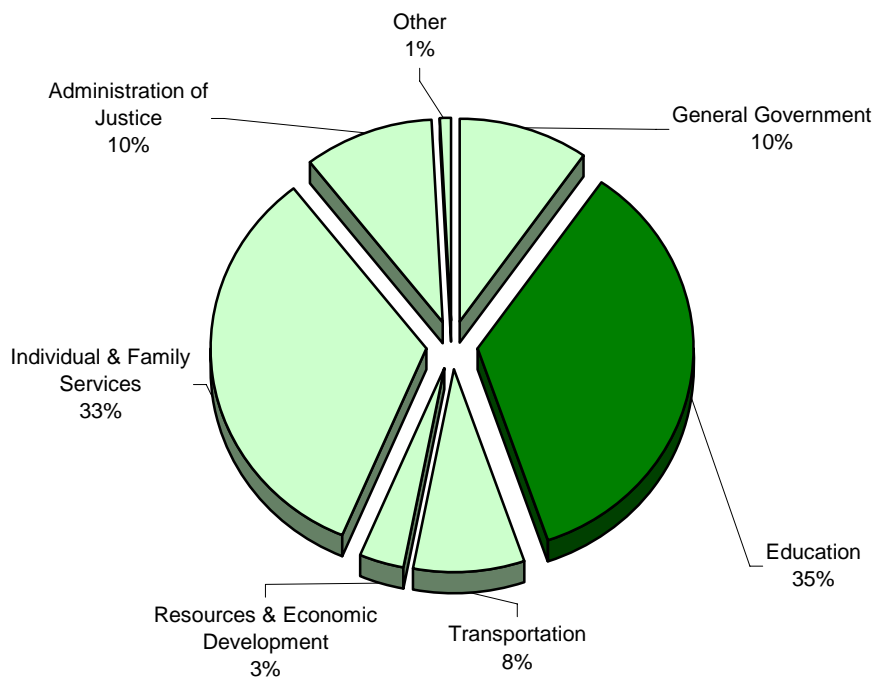
**Figure 16**  
**Revenues by Source – Governmental Activities**  
Fiscal Year 2007



## Governmental Activities Expenses

Figure 17 is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$2.6 billion or 10.6 percent. The majority of the increase is related to the General Fund which is discussed further on page 36.

**Figure 17**  
**Expenditures by Type – Governmental Activities**  
Fiscal Year 2007



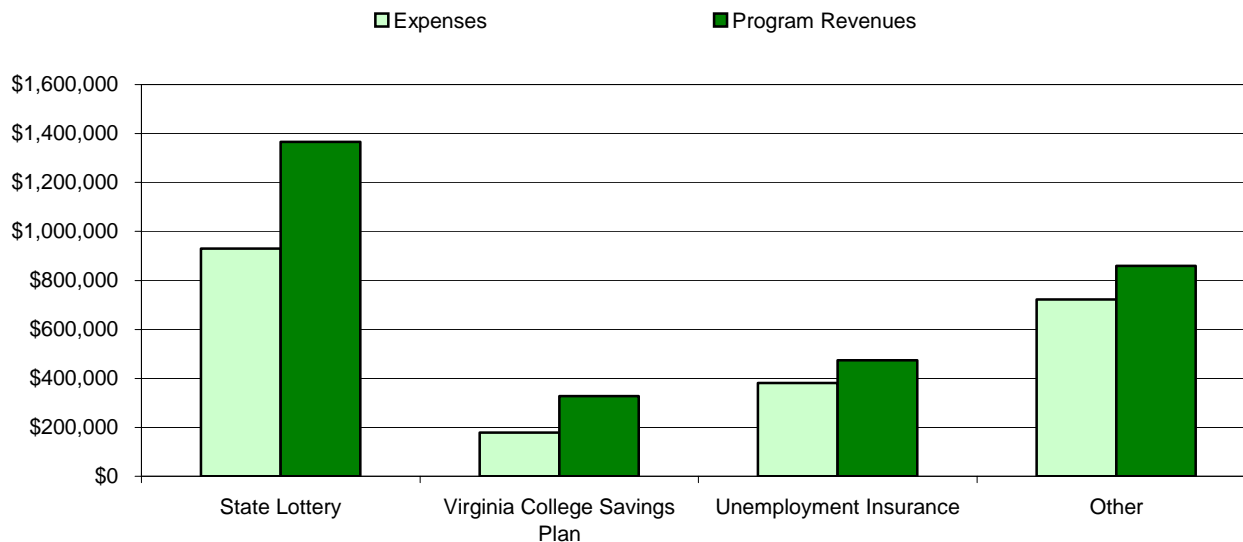
## Net Assets of Business-type Activities

Net assets of business-type activities increased by \$274.6 million during the fiscal year. Highlights of the changes in net assets for the major Enterprise funds were as follows:

- Lottery sales were virtually unchanged from last year's record sales figure of \$1.4 billion. Net income was \$447.7 million, a decrease of \$21.1 million (4.5 percent) from fiscal year 2006. Sales of scratch games increased by \$9.0 million (1.3 percent) and online sales decreased by \$11.9 million (1.8 percent).
- Virginia College Savings Plan's net assets increased by \$148.3 million (554.1 percent), from a deficit of \$26.8 million to a surplus of \$121.6 million. This improvement in financial position is primarily attributable to much better than anticipated investment performance, lower than projected increases in the actual tuition rates at Virginia's higher education institutions for the academic year, and sound pricing pertaining to the issuance of approximately 4,200 new contracts during the fiscal year. Continued favorable market conditions generated greater than anticipated interest income as well as increased the fair value of investments. These market conditions, combined with an increased actuarial reserve resulting from the new contract sales and the savings related to lower than projected tuition increases, account for the improved financial position of the Plan.
- Unemployment Compensation Fund net assets increased by \$82.1 million during fiscal year 2007. This increase is due to net operating income of \$56.7 million plus interest income of \$35.2 million, offset by \$9.8 million transfers out for administration. This operating income reflects the continued strong employment conditions in the Commonwealth as demonstrated by premium revenues exceeding claim benefits by \$56.7 million. Unemployment benefit claims were slightly higher than those of 2006 due to a 5 percent increase in the maximum benefit amount, and an increase in the number of individuals receiving the maximum benefit. The average insurance rate for 2007 was 1.23 percent, including

pool charge of 0.07 percent, versus a fiscal year 2006 average rate of 1.45 percent. Unemployment rates of 3.1 percent in fiscal year 2007 versus 3.2 percent in fiscal year 2006 show the continued economic expansion.

**Figure 18**  
**Business-type Activities**  
**Program Revenues and Expenses**  
 For the Fiscal Year Ended June 30, 2007  
 (Dollars in Thousands)



## Fund Statements Financial Analysis

As of the end of the fiscal year, the Primary Government's governmental funds reported combined ending fund balances of \$5.56 billion. Of this total amount, \$3.76 billion, or 67.6 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to a variety of other restricted purposes, such as the Revenue Stabilization Fund, outstanding debt and capital outlay.

### General Fund Highlights

The General Fund is the chief budgetary operating fund of the Primary Government. At the end of the current fiscal year, unreserved fund balance of the general fund was \$563.4 million and reserved fund balance was \$1.4 billion. Total fund balance of the General Fund decreased by \$272.2 million during the fiscal year. Fiscal year 2007 General Fund revenues were 3.2 percent or \$498.2 million greater than fiscal year 2006 revenues. This was attributable to a \$261.5 million increase (2.8 percent) in Individual and Fiduciary Income Tax revenue as well as a \$207.4 million increase (177 percent) in Interest revenue. Fiscal year 2007 expenditures increased \$1.7 billion as compared to fiscal year 2006. The increase is primarily attributable to an \$835.1 million increase in Education expenditures related to the re-basing of the Standards of Quality required each biennium. Additionally, Individual and Family Service expenditures increased \$377.0 million primarily due to increases in Medicaid enrollment and utilization of services.

### Budget Highlights

The original budget revenue for fiscal year 2007 was adjusted upward by \$334.8 million, which is primarily attributable to a \$318.5 million increase in the final budget for Individual and Fiduciary Income Tax revenue. Total actual revenues were less than final budgeted revenues by \$231.7 million. The variance is due to the moderating economic growth in Virginia and refunds in excess of the forecast for the Land Preservation Tax Credit.

Due to slower revenue growth than anticipated during fiscal year 2007, the general fund revenue estimate for fiscal year 2008 has been reduced by approximately \$406.7 million generating a total projected revenue shortfall of approximately \$638.4 million for the fiscal years 2007 and 2008 biennial budget cycle. Accordingly, in September the Governor instructed Cabinet Secretaries to prepare and submit plans for a 5 percent reduction in general fund spending. This action along with other budgetary adjustments will be addressed during the 2008 General Assembly Session.

Total final budget expenditures exceeded original budget expenditures by \$501.6 million or 3.0 percent. Approximately \$362.5 million (72.3 percent) of the increase relates to additional capital outlay projects, as well as additional appropriations to supplement

existing projects for increases in material costs. Transportation expenditures increased by \$161.0 million or 47.5 percent. The increase was related to additional funding for the 2007 Transportation Initiative.

The total final budget expenditures exceeded actual expenditures by \$1.0 billion or 6.0 percent. This variance was primarily a result of \$500 million Transportation budget for the 2007 Transportation Initiative that was not expended in fiscal year 2007 as the amounts were not needed to fund active transportation projects during the fiscal year. Additionally, Capital Outlay final budget exceeded actual expenditures by \$254.9 million or 59.2 percent.

**Major Special Revenue Fund Highlights**

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of \$1.95 billion, an increase of \$121.5 million from the prior year. Of this amount, \$1.4 billion is committed for various highway, public transportation, and rail preservation projects (see Note 18). The increase in fund balance was primarily the result of the following activities: in fiscal year 2007, revenues and expenditures both increased 3 percent and 2 percent, respectively, with revenues exceeding expenditures by approximately \$227.7 million. This increased activity is primarily due to increased federal funds available for construction and increased interest earnings received during the year. In addition, other sources decreased by \$250 million as there was no debt issuance in fiscal year 2007.

The Federal Trust Fund balance increased by \$5.9 million or 11.9 percent. The net increase was primarily related to an increase of approximately \$13.0 million reported for block grants at the Department of Social Services and a decrease of \$4.6 million in inventory at the Department of Health. The decrease in inventory was attributable to the federal government's procedural change of distributing immunizations to local health departments through a third party vendor instead of through the Department of Health. Federal Grants and Contracts revenue increased by approximately \$109.4 million or 2 percent. This increase was offset with an increase in total expenditures of approximately \$68.3 million or 1.2 percent.

The Literary Fund's fund balance decreased by \$556,292 or less than 1.0 percent in fiscal year 2007 from fiscal year 2006. The decrease is the result of net disbursements exceeding net receipts by \$11.3 million, offset by a cash transfer in of \$10.8 million from the State Lottery representing unclaimed prizes.

**Capital Asset and Long-term Debt**

**Capital Assets.** The Primary Government's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$17.2 billion (net of accumulated depreciation totaling \$10.3 billion). This investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and infrastructure. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. The increase in the Primary Government's investment in governmental capital assets was primarily attributable to increases in infrastructure and buildings of \$566.7 million and \$176.7 million, respectively. 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 property, plant, and infrastructure that have a cost or value greater than \$100,000.

Additional information on the Primary Government's capital assets can be found in Note 12, "Capital Assets."

**Figure 19**  
**Capital Assets as of June 30, 2007**  
**(Net of Depreciation)**  
(Dollars in Thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 1,853,367	\$ 1,977	\$ 1,855,344
Buildings	1,604,734	6,637	1,611,371
Equipment	433,520	23,090	456,610
Infrastructure	10,363,027	-	10,363,027
Construction in Progress	2,893,321	740	2,894,061
<b>Total</b>	<u>\$ 17,147,969</u>	<u>\$ 32,444</u>	<u>\$ 17,180,413</u>

**Long-term Debt.** The Commonwealth does not issue general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of \$24.3 billion, including total tax-supported debt of \$7.3 billion and total debt not supported by taxes of \$17.0 billion. Bonds backed by the full faith and credit of the government and tax-supported total \$1.3 billion. An additional \$1.1 billion is considered moral obligation debt which is not tax-supported. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2007, the Commonwealth issued \$4.3 billion of new debt for various projects. \$776.3 of the new debt was for the primary government and \$3.56 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found in Note 23. 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 have been issued to redeem previous debt obligations, are limited to 30 percent of 1.15 times the annual tax revenues for fiscal year 2007. 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 2005, 2006, and 2007. 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 2005, 2006, and 2007. The current debt limitation for the Commonwealth is \$4.8 billion, \$14.2 billion, and \$14.5 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 20**  
**Outstanding Debt as of June 30, 2007**  
**General Obligation Bonds**  
(Dollars in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
General obligation bonds				
9(b)	\$ 821,563	\$ -	\$ 821,563	\$ -
9(c)	78,766	-	78,766	411,842
<b>Total</b>	<b>\$ 900,329</b>	<b>\$ -</b>	<b>\$ 900,329</b>	<b>\$ 411,842</b>

## Economic Factors and Outlook

In fiscal year 2007, Virginia's economy continued to expand, however this growth was slightly below the national growth rate for the first time since 1996. Virginia's personal income in current dollars grew by 5.2 percent, the lowest growth in the three previous years. Unemployment in Virginia declined for the fourth consecutive year to 3 percent. New housing in Virginia again fell during fiscal year 2007 (28 percent), however, personal income and employment have helped the Commonwealth continue its economic expansion during fiscal year 2007. For a more in-depth discussion on the Commonwealth's economy see "Economic Outlook" on page 10.

## 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 from the World Wide Web. Our Internet address is [www.doa.virginia.gov](http://www.doa.virginia.gov).

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

# Government-wide Financial Statements

## Statement of Net Assets

June 30, 2007

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 3,776,216	\$ 1,172,024	\$ 4,948,240	\$ 2,246,040
Investments (Notes 1 and 6)	4,546,664	2,067,175	6,613,839	9,304,722
Receivables, Net (Notes 1 and 7)	2,081,411	469,179	2,550,590	9,889,812
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	336,945
Internal Balances (Note 1)	50,039	(50,039)	-	-
Due from Primary Government (Note 9)	-	-	-	561,531
Due from Component Units (Note 9)	-	-	-	63,292
Due from External Parties (Fiduciary Funds) (Note 9)	78	-	78	-
Inventory (Note 1)	124,370	46,617	170,987	75,679
Prepaid Items (Note 1)	49,064	1,941	51,005	73,347
Other Assets (Notes 1 and 10)	25,401	380	25,781	133,724
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	172,390
Loans Receivable from Component Units (Notes 1 and 9)	14,984	-	14,984	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	395,962	-	395,962	2,035,292
Restricted Investments (Notes 6 and 11)	-	-	-	4,178,712
Other Restricted Assets (Note 11)	-	-	-	170,205
Nondepreciable Capital Assets (Notes 1 and 12)	4,746,688	2,717	4,749,405	2,088,312
Depreciable Capital Assets, Net (Notes 1 and 12)	12,401,281	29,727	12,431,008	7,067,073
<b>Total Assets</b>	<b>28,212,158</b>	<b>3,739,721</b>	<b>31,951,879</b>	<b>38,397,076</b>
<b>Liabilities</b>				
Accounts Payable (Notes 1 and 21)	837,634	48,328	885,962	925,674
Amounts Due to Other Governments	438,290	13,930	452,220	74,375
Due to Component Units (Note 9)	561,531	-	561,531	63,292
Due to External Parties (Fiduciary Funds) (Note 9)	17,999	-	17,999	-
Unearned Revenue (Note 1)	141,121	5,757	146,878	243,694
Obligations Under Securities Lending Program (Notes 1 and 6)	1,976,490	391,415	2,367,905	547,057
Other Liabilities (Notes 1 and 22)	1,271,522	64,761	1,336,283	1,058,842
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	14,984
Loans Payable to Component Units (Notes 1 and 9)	172,390	-	172,390	-
Claims Payable:				
Due Within One Year (Notes 1 and 20)	142,103	21,625	163,728	-
Due in More Than One Year (Notes 1 and 20)	230,122	7,625	237,747	-
Long-term Liabilities:				
Due Within One Year (Notes 1, 19, and 23)	533,397	148,596	681,993	1,028,328
Due in More Than One Year (Notes 1, 19, and 23)	5,218,032	1,923,256	7,141,288	15,493,011
<b>Total Liabilities</b>	<b>11,540,631</b>	<b>2,625,293</b>	<b>14,165,924</b>	<b>19,449,257</b>

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



	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	13,834,236	29,834	13,864,070	5,721,707
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	2,036,434
Permanent Funds	50,304	-	50,304	-
Other	-	-	-	87,470
Expendable:				
Higher Education	-	-	-	4,697,026
Permanent Funds	2,914	-	2,914	-
Revenue Stabilization Fund	1,308,944	-	1,308,944	-
Literary Fund	300,364	-	300,364	-
Gifts and Grants	100,706	-	100,706	17,661
Unemployment Compensation	-	871,987	871,987	-
Virginia Pooled Investment Program	-	-	-	5,846
Capital Projects/Construction/Capital Acquisition	3,771	187	3,958	1,100,628
Debt Service	97,317	-	97,317	75,986
Bond Indenture	-	-	-	1,754,650
Unexpended Lottery Proceeds	28,600	-	28,600	-
Other	-	-	-	480,711
Unrestricted	944,371	212,420	1,156,791	2,969,700
<b>Total Net Assets</b>	<b>\$ 16,671,527</b>	<b>\$ 1,114,428</b>	<b>\$ 17,785,955</b>	<b>\$ 18,947,819</b>

## Statement of Activities

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 2,644,920	\$ 216,148	\$ 92,668	\$ -
Education	9,542,461	349,525	755,544	350
Transportation	2,255,720	583,266	34,079	841,429
Resources and Economic Development	840,722	299,100	205,388	441
Individual and Family Services	9,022,492	370,302	4,733,509	7,552
Administration of Justice	2,658,644	291,514	48,617	789
Interest and Charges on Long-term Debt	203,372	-	-	-
Total Governmental Activities	<u>27,168,331</u>	<u>2,109,855</u>	<u>5,869,805</u>	<u>850,561</u>
Business-type Activities				
State Lottery	929,369	1,366,262	-	-
Virginia College Savings Plan	179,530	328,042	-	-
Unemployment Compensation	381,660	438,355	35,166	-
Alcoholic Beverage Control	433,944	525,340	925	-
Local Choice Health Care	179,032	206,628	-	-
Other	109,261	127,026	-	-
Total Business-type Activities	<u>2,212,796</u>	<u>2,991,653</u>	<u>36,091</u>	<u>-</u>
Total Primary Government	<u>\$ 29,381,127</u>	<u>\$ 5,101,508</u>	<u>\$ 5,905,896</u>	<u>\$ 850,561</u>
<b>Component Units</b>				
Virginia Housing Development Authority	\$ 491,427	\$ 458,515	\$ 135,529	\$ -
Virginia Public School Authority	148,337	143,937	-	-
Higher Education:				
Major	5,171,189	3,569,940	1,269,754	360,854
Nonmajor	3,341,967	1,396,279	632,714	643,631
Other Nonmajor	635,846	501,829	10,293	48,302
Total Component Units	<u>\$ 9,788,766</u>	<u>\$ 6,070,500</u>	<u>\$ 2,048,290</u>	<u>\$ 1,052,787</u>

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,336,104)	\$ -	\$ (2,336,104)	\$ -
(8,437,042)	-	(8,437,042)	-
(796,946)	-	(796,946)	-
(335,793)	-	(335,793)	-
(3,911,129)	-	(3,911,129)	-
(2,317,724)	-	(2,317,724)	-
(203,372)	-	(203,372)	-
(18,338,110)	-	(18,338,110)	-
-	436,893	436,893	-
-	148,512	148,512	-
-	91,861	91,861	-
-	92,321	92,321	-
-	27,596	27,596	-
-	17,765	17,765	-
-	814,948	814,948	-
(18,338,110)	814,948	(17,523,162)	-
-	-	-	102,617
-	-	-	(4,400)
-	-	-	29,359
-	-	-	(669,343)
-	-	-	(75,422)
-	-	-	(617,189)

Continued on next page

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

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General Revenues				
Taxes				
Individual and Fiduciary Income	9,639,024	-	9,639,024	-
Sales and Use	3,755,896	-	3,755,896	-
Corporation Income	905,852	-	905,852	-
Motor Fuel	929,723	-	929,723	-
Motor Vehicle Sales and Use	588,471	-	588,471	-
Deeds, Contracts, Wills, and Suits	583,782	-	583,782	-
Premiums of Insurance Companies	384,894	-	384,894	-
Alcoholic Beverage Sales Tax	100,160	-	100,160	-
Tobacco Products	187,726	-	187,726	-
Estate	140,379	-	140,379	-
Public Service Corporations	88,672	-	88,672	-
Beer and Beverage Excise	43,804	-	43,804	-
Wine and Spirits/ABC Liter	18,020	-	18,020	-
Bank Stock	12,624	-	12,624	-
Other Taxes	74,906	12,430	87,336	-
Operating Appropriations from Primary Government	-	-	-	1,873,811
Unrestricted Grants and Contributions	50,138	-	50,138	57,785
Investment Earnings	477,212	10,779	487,991	1,128,417
Miscellaneous	153,506	391	153,897	93,965
Tobacco Master Settlement and Securitization	-	-	-	657,578
Transfers	563,978	(563,978)	-	-
Contributions to Permanent Funds and Endowments	20,000	-	20,000	109,642
Extraordinary Items (Note 30)	-	-	-	(16,941)
Total General Revenues, Transfers, and Extraordinary Items	18,718,767	(540,378)	18,178,389	3,904,257
Change in Net Assets	380,657	274,570	655,227	3,287,068
Net Assets - July 1, as restated (Note 2)	16,290,870	839,858	17,130,728	15,660,751
Net Assets - June 30	\$ 16,671,527	\$ 1,114,428	\$ 17,785,955	\$ 18,947,819

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.*

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## Special Revenue Funds

*Special Revenue Funds account for specific revenue sources that are restricted 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, and institutions of higher education. The entire fund is restricted pursuant to federal regulations. As such, a separate fund balance reservation is not reflected.

**The Literary Fund** accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools. As such, a separate fund balance reservation is not reflected.

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**Nonmajor Governmental Funds** include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 171 in the Combining and Individual Fund Statements and Schedules section of this report.

## Balance Sheet – Governmental Funds

June 30, 2007

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
<b>Assets</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 245,126	\$ 1,804,852	\$ 157,150	\$ 155,410
Investments (Notes 1 and 6)	3,887,919	359,890	11,445	35,939
Receivables (Net) (Notes 1 and 7)	958,400	306,077	370,128	343,581
Due from Other Funds (Note 9)	11,563	75	-	-
Due from External Parties (Fiduciary Funds) (Note 9)	4	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	47,629	46,984	3,757	-
Prepaid Items (Note 1)	35,149	3,692	317	-
Other Assets (Notes 1 and 10)	1,461	20,682	1,583	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Restricted Cash and Cash Equivalents (Notes 1 and 6)	-	164,771	-	-
<b>Total Assets</b>	<b>\$ 5,187,251</b>	<b>\$ 2,707,023</b>	<b>\$ 544,380</b>	<b>\$ 534,930</b>
<b>Liabilities and Fund Balances</b>				
Accounts Payable (Notes 1 and 21)	\$ 320,084	\$ 226,896	\$ 107,688	\$ 240
Amounts Due to Other Governments	308,954	2,621	116,431	-
Due to Other Funds (Note 9)	18,939	16,981	7,632	-
Due to Component Units (Note 9)	37,125	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	17,999	-
Interfund Payable (Note 9)	-	-	7,317	-
Deferred Revenue (Note 1)	320,274	28,816	23,037	16,874
Unearned Revenue (Note 1)	10	26,231	-	-
Deferred Taxes (Note 1)	243,302	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	1,201,257	451,243	14,351	45,062
Other Liabilities (Notes 1 and 22)	752,849	1,221	194,274	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	172,390
Long-term Liabilities Due Within One Year (Notes 1, 19, and 23)	768	182	57	-
<b>Total Liabilities</b>	<b>3,203,562</b>	<b>754,191</b>	<b>488,786</b>	<b>234,566</b>
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	1,308,944	-	-	-
Unexpended Lottery Proceeds	28,600	-	-	-
Inventory	47,629	46,984	3,757	-
Prepaid Items	35,149	3,692	317	-
Debt Service	-	-	-	-
Gifts and Grants	-	9,728	-	-
Capital Acquisition / Construction	-	162,573	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Fund	563,367	-	-	-
Special Revenue Funds	-	1,729,855	51,520	300,364
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
<b>Total Fund Balances</b>	<b>1,983,689</b>	<b>1,952,832</b>	<b>55,594</b>	<b>300,364</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,187,251</b>	<b>\$ 2,707,023</b>	<b>\$ 544,380</b>	<b>\$ 534,930</b>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,253,532	\$ 3,616,070
177,858	4,473,051
81,693	2,059,879
7,323	18,961
74	78
69,365	69,365
7,672	106,042
9,538	48,696
812	24,538
14,984	14,984
-	164,771
<u>\$ 1,622,851</u>	<u>\$ 10,596,435</u>
\$ 73,964	\$ 728,872
1,411	429,417
4,576	48,128
24,789	61,914
-	17,999
8,329	15,646
14,362	403,363
51,859	78,100
-	243,302
172,278	1,884,191
8,081	956,425
-	172,390
176	1,183
<u>359,825</u>	<u>5,040,930</u>
-	1,308,944
-	28,600
7,672	106,042
9,538	48,696
97,317	97,317
35,222	44,950
567	163,140
-	563,367
978,191	3,059,930
81,301	81,301
53,218	53,218
<u>1,263,026</u>	<u>5,555,505</u>
<u>\$ 1,622,851</u>	<u>\$ 10,596,435</u>

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

June 30, 2007

(Dollars in Thousands)

**Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)** \$ 5,555,505

When capital assets (land, buildings, equipment, improvements, construction in progress, 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 Assets includes those capital assets among the assets of the Primary Government as a whole.

17,079,501

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 Assets.

Pension Liability	(780,833)
Capital Lease	(118,852)
Installment Purchases	(55,305)
Compensated Absences	(332,522)
Uninsured Employer's Fund	(16,472)
Regional Jails	(11,693)
Bonds	(4,263,604)
Notes	(25,876)
Accrued Interest Payable	(65,974)
Other Obligations	(119,846)

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 Assets.

(6,565)

Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.

(569,186)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

403,249

**Net assets of governmental activities (see Government-wide Statement of Net Assets)**

**\$ 16,671,527**

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, 2007

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
<b>Revenues</b>				
Taxes	\$ 15,339,238	\$ 2,019,624	\$ -	\$ -
Rights and Privileges	68,428	491,965	18	127
Institutional Revenue	7,167	-	-	-
Interest, Dividends, Rents, and Other Investment Income (Note 1)	324,410	115,884	3,859	30,157
Federal Grants and Contracts	-	659,053	5,537,692	-
Other (Note 24)	314,581	115,107	74,772	151,075
<b>Total Revenues</b>	<b>16,053,824</b>	<b>3,401,633</b>	<b>5,616,341</b>	<b>181,359</b>
<b>Expenditures</b>				
Current:				
General Government	1,800,928	2,259	119,507	4,218
Education	7,601,761	2,389	877,929	188,450
Transportation	33	3,126,740	8,723	-
Resources and Economic Development	318,234	16,167	142,299	-
Individual and Family Services	4,029,782	-	4,411,863	-
Administration of Justice	2,276,728	8,054	41,150	-
Capital Outlay	201,229	18,326	10,560	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
<b>Total Expenditures</b>	<b>16,228,695</b>	<b>3,173,935</b>	<b>5,612,031</b>	<b>192,668</b>
Revenues Over (Under) Expenditures	(174,871)	227,698	4,310	(11,309)
<b>Other Financing Sources (Uses)</b>				
Transfers In (Note 29)	614,258	181,813	10,870	10,752
Transfers Out (Note 29)	(716,536)	(301,570)	(10,058)	-
Notes Issued	2,420	-	-	-
Insurance Recoveries	-	4,719	187	-
Capital Leases	2,543	787	598	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	-	8,007	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(97,315)</b>	<b>(106,244)</b>	<b>1,597</b>	<b>10,752</b>
<b>Net Change in Fund Balances</b>	<b>(272,186)</b>	<b>121,454</b>	<b>5,907</b>	<b>(557)</b>
Fund Balance, July 1, as restated (Note 2)	2,255,875	1,831,378	49,687	300,921
<b>Fund Balance, June 30</b>	<b>\$ 1,983,689</b>	<b>\$ 1,952,832</b>	<b>\$ 55,594</b>	<b>\$ 300,364</b>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 77,116	\$ 17,435,978
265,260	825,798
352,744	359,911
57,311	531,621
7,203	6,203,948
371,242	1,026,777
<u>1,130,876</u>	<u>26,384,033</u>
103,147	2,030,059
29,773	8,700,302
5,516	3,141,012
335,090	811,790
554,398	8,996,043
72,283	2,398,215
578,248	808,363
322,056	322,056
191,742	191,742
<u>2,192,253</u>	<u>27,399,582</u>
(1,061,377)	(1,015,549)
819,541	1,637,234
(44,271)	(1,072,435)
13,468	15,888
1,828	6,734
-	3,928
592,940	592,940
40,541	40,541
123,070	123,070
57	8,064
(131,356)	(131,356)
<u>1,415,818</u>	<u>1,224,608</u>
354,441	209,059
908,585	5,346,446
<u>\$ 1,263,026</u>	<u>\$ 5,555,505</u>

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

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

<b>Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)</b>	<b>\$ 209,059</b>
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 assets decreases by the amount of depreciation expense charged for the year.	903,133
Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Assets.	
Debt Issuance	(592,940)
Capital Lease Proceeds	(3,928)
Bond Premiums	(40,541)
Refunding Bonds Issued	(123,070)
Installment Purchase Proceeds	(15,888)
Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term debt in the Statement of Net Assets.	
Debt Service Fund Repayment of Debt Principal	322,056
Repayment of Debt Principal in Other Funds:	
Capital Lease	9,620
Installment Purchases	3,443
Uninsured Employer's Fund	1,641
Regional Jails	2,633
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 Assets.	131,356
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	65,897
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds.	
Increase in Pension Liability	(78,577)
Increase in Accrued Interest Liability	(6,305)
Depreciation Expense	(3,462)
Increase in Compensated Absences	(12,343)
Amortization of deferrals on long-term debt	(4,869)
Bond Issuance Costs	(569)
Increase in Due to Component Units for Capital and Other Projects	(420,543)
Other	(49,699)
The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	<u>84,553</u>
<b>Change in net assets of governmental activities (See Government-wide Statement of Activities)</b>	<b><u><u>\$ 380,657</u></u></b>

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.*

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## Major Enterprise Funds

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

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

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

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**Nonmajor Enterprise Funds** include those operations of State agencies which are listed on page 183 in the Combining and Individual Fund Statements and Schedules section of this report.

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**Internal Service Funds** include those operations of State agencies which are listed on page 199 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Net Assets – Proprietary Funds**

June 30, 2007

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 7,731	\$ 180,641	\$ 824,978	\$ 158,674
Investments (Notes 1 and 6)	385,374	21,151	-	30,206
Receivables, Net (Notes 1 and 7)	50,759	76,346	79,213	35,818
Due from Other Funds (Note 9)	-	-	461	1,851
Inventory (Note 1)	-	-	-	46,617
Prepaid Items (Note 1)	670	-	-	1,271
Other Assets (Notes 1 and 10)	1	-	-	166
<b>Total Current Assets</b>	<b>444,535</b>	<b>278,138</b>	<b>904,652</b>	<b>274,603</b>
<b>Noncurrent Assets:</b>				
Investments (Notes 1 and 6)	254,346	1,376,097	-	1
Receivables, Net (Notes 1 and 7)	-	227,043	-	-
Other Assets (Notes 1 and 10)	-	-	-	213
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	2,717
Depreciable Capital Assets, Net (Notes 1 and 12)	1,597	145	-	27,985
<b>Total Noncurrent Assets</b>	<b>255,943</b>	<b>1,603,285</b>	<b>-</b>	<b>30,916</b>
<b>Total Assets</b>	<b>700,478</b>	<b>1,881,423</b>	<b>904,652</b>	<b>305,519</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable (Notes 1 and 21)	6,758	1,815	116	39,639
Amounts Due to Other Governments	-	-	7,359	6,571
Due to Other Funds (Note 9)	3,232	-	494	8,531
Interfund Payable (Note 9)	6,000	-	-	29,423
Unearned Revenue (Note 1)	2,841	-	-	2,916
Obligations Under Securities Lending Program (Notes 1 and 6)	327,022	26,520	-	37,873
Other Liabilities (Notes 1 and 22)	39,932	63	24,509	257
Claims Payable Due Within One Year (Notes 1 and 20)	-	-	-	21,625
Long-term Liabilities Due Within One Year (Notes 1, 19, and 23)	59,677	84,683	-	4,236
<b>Total Current Liabilities</b>	<b>445,462</b>	<b>113,081</b>	<b>32,478</b>	<b>151,071</b>
<b>Noncurrent Liabilities:</b>				
Interfund Payable (Note 9)	-	-	-	5,935
Claims Payable Due in More Than One Year (Notes 1 and 20)	-	-	-	7,625
Long-term Liabilities Due in More Than One Year (Notes 1, 19, and 23)	257,878	1,646,792	-	18,586
<b>Total Noncurrent Liabilities</b>	<b>257,878</b>	<b>1,646,792</b>	<b>-</b>	<b>32,146</b>
<b>Total Liabilities</b>	<b>703,340</b>	<b>1,759,873</b>	<b>32,478</b>	<b>183,217</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,597	145	-	28,092
Restricted for Unemployment Compensation	-	-	871,987	-
Restricted for Capital Acquisition	-	-	187	-
Unrestricted	(4,459)	121,405	-	94,210
<b>Total Net Assets (Deficit) (Note 3)</b>	<b>\$ (2,862)</b>	<b>\$ 121,550</b>	<b>\$ 872,174</b>	<b>\$ 122,302</b>

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

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

	<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>	
\$ 1,172,024	\$	391,337
436,731		73,613
242,136		21,532
2,312		39,902
46,617		18,328
1,941		368
167		12,120
<u>1,901,928</u>		<u>557,200</u>
1,630,444	-	-
227,043	-	-
213	-	-
2,717	444	
29,727	68,024	
<u>1,890,144</u>	<u>68,468</u>	
<u>3,792,072</u>	<u>625,668</u>	
48,328	56,884	
13,930	1,716	
12,257	790	
35,423	732	
5,757	63,807	
391,415	92,299	
64,761	5,197	
21,625	142,103	
148,596	5,191	
<u>742,092</u>	<u>368,719</u>	
5,935	11,629	
7,625	230,122	
<u>1,923,256</u>	<u>20,499</u>	
<u>1,936,816</u>	<u>262,250</u>	
<u>2,678,908</u>	<u>630,969</u>	
29,834	58,016	
871,987	-	
187	-	
211,156	(63,317)	
<u>\$ 1,113,164</u>	<u>\$ (5,301)</u>	
1,264		
<u>\$ 1,114,428</u>		

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

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Operating Revenues</b>				
Charges for Sales and Services	\$ 1,362,343	\$ 136,342	\$ 438,355	\$ 835,618
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	191,700	-	-
Other (Note 24)	-	-	-	27,608
Total Operating Revenues	<u>1,362,343</u>	<u>328,042</u>	<u>438,355</u>	<u>863,226</u>
<b>Operating Expenses</b>				
Cost of Sales and Services	84,980	-	-	310,819
Prizes and Claims (Note 25)	781,038	-	381,660	165,278
Tuition Benefits Expense	-	169,966	-	-
Personal Services	19,811	4,515	-	96,516
Contractual Services	34,424	3,723	-	52,818
Supplies and Materials	1,909	73	-	18,648
Depreciation and Amortization (Note 26)	1,991	64	-	6,489
Rent, Insurance, and Other Related Charges	1,611	241	-	22,272
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	44,246
Other (Note 27)	-	999	-	2,488
Total Operating Expenses	<u>925,764</u>	<u>179,581</u>	<u>381,660</u>	<u>719,574</u>
Operating Income	<u>436,579</u>	<u>148,461</u>	<u>56,695</u>	<u>143,652</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	14,698	-	35,166	8,551
Other (Note 28)	(3,528)	-	-	(3,115)
Total Nonoperating Revenues (Expenses)	<u>11,170</u>	<u>-</u>	<u>35,166</u>	<u>5,436</u>
Income Before Transfers	447,749	148,461	91,861	149,088
Transfers In (Note 29)	-	-	-	144
Transfers Out (Note 29)	(447,927)	(146)	(9,774)	(106,275)
Change in Net Assets	(178)	148,315	82,087	42,957
Total Net Assets (Deficit), July 1	(2,684)	(26,765)	790,087	79,345
Total Net Assets (Deficit), June 30 (Note 3)	<u>\$ (2,862)</u>	<u>\$ 121,550</u>	<u>\$ 872,174</u>	<u>\$ 122,302</u>

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

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



<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>
\$ 2,772,658	\$ 1,389,030
191,700	-
27,608	-
<u>2,991,966</u>	<u>1,389,030</u>
395,799	61,888
1,327,976	837,679
169,966	-
120,842	53,106
90,965	291,539
20,630	10,521
8,544	24,625
24,124	21,211
-	573
44,246	-
3,487	18,387
<u>2,206,579</u>	<u>1,319,529</u>
785,387	69,501
58,415	19,233
(6,643)	(1,971)
<u>51,772</u>	<u>17,262</u>
837,159	86,763
144	755
(564,122)	(1,576)
273,181	85,942
839,983	(91,243)
<u>\$ 1,113,164</u>	<u>\$ (5,301)</u>

1,389
<u>\$ 274,570</u>

**Statement of Cash Flows – Proprietary Funds**

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Cash Flows from Operating Activities</b>				
Receipts for Sales and Services	\$ 1,355,507	\$ 148,906	\$ 453,459	\$ 833,112
Internal Activity-Receipts from Other Funds	-	-	3,432	13,623
Internal Activity-Payments to Other Funds	-	(408)	-	(3,926)
Payments to Suppliers for Goods and Services	(84,981)	(231)	-	(346,887)
Payments for Prizes, Claims, and Loss Control (Note 34)	(843,293)	-	(380,731)	(163,984)
Payments for Tuition Benefits	-	(57,001)	-	-
Payments to Employees	(19,726)	(3,859)	-	(91,876)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(44,942)
Other Operating Revenue (Note 34)	-	-	-	4,920
Other Operating Expense (Note 34)	(26,938)	(3,413)	-	(51,116)
Net Cash Provided by (Used for) Operating Activities	<u>380,569</u>	<u>83,994</u>	<u>76,160</u>	<u>148,924</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In From Other Funds	-	-	-	309
Transfers Out to Other Funds	(445,678)	(146)	(9,501)	(248,124)
Other Noncapital Financing Receipt Activities (Note 34)	6,949	-	-	171,611
Other Noncapital Financing Disbursement Activities (Note 34)	(8,000)	-	-	(41,154)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(446,729)</u>	<u>(146)</u>	<u>(9,501)</u>	<u>(117,358)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(667)	(29)	-	(1,554)
Payment of Principal and Interest on Bonds and Notes	(620)	-	-	(3,121)
Proceeds from Sale of Capital Assets	-	-	-	27
Other Capital and Related Financing Disbursement Activities (Note 34)	-	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	<u>(1,287)</u>	<u>(29)</u>	<u>-</u>	<u>(4,648)</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	(4,196)	(2,198,067)	-	-
Proceeds from Sales or Maturities of Investments	60,440	2,101,290	-	-
Investment Income on Cash, Cash Equivalents, and Investments	10,231	89,280	35,166	5,917
Net Cash Provided by (Used for) Investing Activities	<u>66,475</u>	<u>(7,497)</u>	<u>35,166</u>	<u>5,917</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(972)	76,322	101,825	32,835
<b>Cash and Cash Equivalents, July 1</b>	<u>8,290</u>	<u>98,950</u>	<u>723,153</u>	<u>118,339</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 7,318</u>	<u>\$ 175,272</u>	<u>\$ 824,978</u>	<u>\$ 151,174</u>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 7,731	\$ 180,641	\$ 824,978	\$ 158,674
Cash and Travel Advances	1	-	-	166
Less:				
Securities Lending Cash Equivalents	(414)	(5,369)	-	(7,666)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 7,318</u>	<u>\$ 175,272</u>	<u>\$ 824,978</u>	<u>\$ 151,174</u>

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

		<b>Governmental Activities</b>	
<b>Total</b>		<b>Internal Service Funds</b>	
\$ 2,790,984		\$ 954,005	
17,055		403,683	
(4,334)		(9,545)	
(432,099)		(102,374)	
(1,388,008)		(813,415)	
(57,001)		-	
(115,461)		(51,874)	
(44,942)		-	
4,920		6	
(81,467)		(292,840)	
<u>689,647</u>		<u>87,646</u>	
309		855	
(703,449)		(1,576)	
178,560		201	
(49,154)		-	
<u>(573,734)</u>		<u>(520)</u>	
(2,250)		(10,284)	
(3,741)		(3,832)	
27		5	
-		(1,487)	
<u>(5,964)</u>		<u>(15,598)</u>	
(2,202,263)		-	
2,161,730		-	
140,594		13,903	
<u>100,061</u>		<u>13,903</u>	
210,010		85,431	
<u>948,732</u>		<u>288,083</u>	
<u>\$ 1,158,742</u>		<u>\$ 373,514</u>	
\$ 1,172,024		\$ 391,337	
167		863	
<u>(13,449)</u>		<u>(18,686)</u>	
<u>\$ 1,158,742</u>		<u>\$ 373,514</u>	

Continued on next page

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

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities</b>				
Operating Income (Loss)	\$ 436,579	\$ 148,461	\$ 56,695	\$ 143,652
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities</b>				
Depreciation and Amortization	1,991	64	-	6,489
Interest, Dividends, Rents, and Other Investment Income	(22,721)	(191,674)	-	-
Miscellaneous Nonoperating Income	-	-	-	(379)
Other Expenses	-	869	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(6,865)	12,333	18,210	(13,772)
(Increase) Decrease in Due From Other Funds	-	-	9	1,817
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	-	-	-	(3,580)
(Increase) Decrease in Prepaid Items	409	-	-	(118)
Increase (Decrease) in Accounts Payable	(315)	542	20	4,764
Increase (Decrease) in Amounts Due to Other Governments	-	-	918	6,571
Increase (Decrease) in Due to Other Funds	43	-	(75)	840
Increase (Decrease) in Interfund Payables	-	-	-	-
Increase (Decrease) in Unearned Revenue	30	-	-	502
Increase (Decrease) in Other Liabilities	4,736	(31)	383	23
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	639
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	(766)
Increase (Decrease) in Long-term Liabilities: Due Within One Year	450	20,255	-	121
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(33,768)	93,175	-	2,121
Net Cash Provided by (Used for) Operating Activities	<u>\$ 380,569</u>	<u>\$ 83,994</u>	<u>\$ 76,160</u>	<u>\$ 148,924</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the statement of net assets date:				
Capital Leases Used to Finance Capital Assets	\$ -	\$ -	\$ -	\$ -
Trade-ins of Used Equipment on New Equipment	-	-	-	-
Change in Fair Value of Investments	-	101,524	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 101,524</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>	
\$	785,387	\$ 69,501
	8,544	24,625
	(214,395)	-
	(379)	470
	869	-
	9,906	(8,017)
	1,826	(7,203)
	-	(11,257)
	(3,580)	(1,125)
	291	959
	5,011	4,119
	7,489	(514)
	808	(1,301)
	-	(233)
	532	(4,871)
	5,111	3,809
	639	9,103
	(766)	9,520
	20,826	(3,059)
	61,528	3,120
\$	689,647	\$ 87,646
\$	-	\$ 6,216
	-	(7)
	101,524	-
	-	625
\$	101,524	\$ 6,834



# Fiduciary Funds

## **Private Purpose Funds**

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

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## **Pension and Other Employee Benefit Trust Funds**

*Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.*

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## **Investment Trust Fund**

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

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## **Agency Funds**

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

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A listing of all Fiduciary Funds is located on pages 208-209 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 210.

## Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2007

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
<b>Assets</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 24,573	\$ 223,576	\$ 1,683,441	\$ 249,248
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	4	14,915,348	84,557	-
Stocks	169,452	24,180,182	-	-
Fixed Income Commingled Funds	-	1,248,250	-	-
Index and Pooled Funds	267,577	12,657,605	-	-
Real Estate	-	2,583,818	-	-
Private Equity	-	3,682,446	-	-
Mutual and Money Market Funds	23,616,520	-	-	-
Short-term Investments	-	472,950	1,281,483	91,637
Other	136,046	5,741,750	-	305,584
Total Investments	<u>24,189,599</u>	<u>65,482,349</u>	<u>1,366,040</u>	<u>397,221</u>
Receivables (Notes 1 and 7):				
Accounts	82	-	-	160,301
Contributions	-	178,591	-	-
Interest and Dividends	1,058	180,291	10,819	-
Security Transactions	-	3,282,492	-	-
Other Receivables	-	38,670	-	-
Total Receivables	<u>1,140</u>	<u>3,680,044</u>	<u>10,819</u>	<u>160,301</u>
Due from Internal Parties (Governmental Funds and Business Type Activities) (Note 9)	-	-	-	17,999
Due from External Parties (Fiduciary Funds) (Note 9)	-	20,408	-	-
Furniture and Equipment (Note 1)	-	6,434	-	-
Total Assets	<u>24,215,312</u>	<u>69,412,811</u>	<u>3,060,300</u>	<u>824,769</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses (Notes 1 and 21)	1,050	54,970	-	12,292
Amounts Due to Other Governments	-	-	-	326,876
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	-	4	74
Due to External Parties (Fiduciary Funds) (Note 9)	-	20,408	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	2,920	5,740,418	-	15,707
Other Liabilities (Notes 1 and 22)	315	1,795	-	469,429
Retirement Benefits Payable	-	56,348	-	-
Refunds Payable	-	9,713	-	-
Compensated Absences Payable (Notes 1 and 19)	178	1,620	-	-
Insurance Premiums and Claims Payable	11	32,678	-	391
Payable for Security Transactions	-	5,147,488	-	-
Pension Liability	372	3,360	-	-
Total Liabilities	<u>4,846</u>	<u>11,068,798</u>	<u>4</u>	<u>824,769</u>
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool				
Participants, and Other Purposes	<u>\$ 24,210,466</u>	<u>\$ 58,344,013</u>	<u>\$ 3,060,296</u>	<u>\$ -</u>

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



**Statement of Changes in Fiduciary Net Assets – Fiduciary Funds**

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
<b>Additions:</b>			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ 3,582,721	\$ 10,503,029	\$ 126,658
Distributions to Shareholders from Net Investment Income	-	-	(129,609)
Total Investment Income	3,582,721	10,503,029	(2,951)
Less Investment Expenses	16,933	513,602	-
Net Investment Income	3,565,788	9,989,427	(2,951)
Proceeds from Unclaimed Property	23,851	-	-
Contributions:			
Participants	5,487,288	-	-
Member	-	836,692	-
Employer	-	1,436,557	-
Total Contributions	5,487,288	2,273,249	-
Shares Sold	-	-	4,515,057
Reinvested Distributions	-	-	129,690
Other Revenue (Note 24)	7	338	-
Total Additions	9,076,934	12,263,014	4,641,796
<b>Deductions:</b>			
Loan Servicing Payments	83	-	-
Tuition Benefits	649,095	-	-
Retirement Benefits	-	2,314,309	-
Refunds to Former Members	-	95,765	-
Retiree Health Insurance Credits	-	80,447	-
Insurance Premiums and Claims	17,943	118,627	-
Trust Payments	3	-	-
Administrative Expenses	23,814	27,797	-
Other Expenses (Note 27)	15	550	-
Shares Redeemed	896,781	-	4,268,341
Long-term Disability Benefits	-	33,282	-
Total Deductions	1,587,734	2,670,777	4,268,341
<b>Transfers:</b>			
Transfers In	-	171	-
Transfers Out	-	(171)	-
Total Transfers	-	-	-
Net Increase	7,489,200	9,592,237	373,455
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
<b>July 1</b>	16,721,266	48,751,776	2,686,841
<b>June 30</b>	\$ 24,210,466	\$ 58,344,013	\$ 3,060,296

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 for capital construction of primary and secondary schools to cities and counties.

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**The Higher Education Institutions** account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals. Higher education institutions included in this section are:

University of Virginia, including the University of Virginia College at Wise, and the University of Virginia Hospital  
Virginia Polytechnic Institute and State University  
Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority

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**Nonmajor Component Units** include those listed on pages 230-231 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Net Assets – Component Units**

June 30, 2007

(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute and State University
<b>Assets</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 49,999	\$ 8,114	\$ 488,644	\$ 99,472
Investments (Notes 1 and 6)	261,641	2,839,766	5,319,496	119,361
Receivables, Net (Notes 1 and 7)	7,052,021	64,812	174,786	78,185
Contributions Receivable, Net (Note 8)	-	-	101,783	61,916
Due from Primary Government (Note 9)	-	-	80,600	63,713
Due from Component Units (Note 9)	-	-	11,943	11,171
Inventory (Note 1)	-	-	22,151	18,402
Prepaid Items (Note 1)	-	-	14,996	7,762
Other Assets (Notes 1 and 10)	49,145	9	21,122	5,628
Loans Receivable from Primary Government (Notes 1 and 9)	-	172,390	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	655,770	89,791	163,104	238,831
Restricted Investments (Notes 6 and 11)	236,935	3,304	421,256	526,770
Other Restricted Assets (Note 11)	1,645	-	-	12,042
Nondepreciable Capital Assets (Notes 1 and 12)	2,837	-	433,740	146,250
Depreciable Capital Assets, Net (Notes 1 and 12)	14,473	-	1,642,171	794,722
Total Assets	<u>8,324,466</u>	<u>3,178,186</u>	<u>8,895,792</u>	<u>2,184,225</u>
<b>Liabilities</b>				
Accounts Payable (Notes 1 and 21)	43,606	78	289,143	111,843
Amounts Due to Other Governments	-	68,088	-	-
Due to Component Units (Note 9)	-	-	-	-
Unearned Revenue (Note 1)	-	-	81,926	43,960
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	441,469	3,444
Other Liabilities (Notes 1 and 22)	89,144	60,842	587,322	40,638
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	-
Long-term Liabilities (Notes 1, 19, and 23):				
Due Within One Year	246,229	244,028	79,957	54,227
Due in More Than One Year	5,975,254	2,788,672	940,471	446,612
Total Liabilities	<u>6,354,233</u>	<u>3,161,708</u>	<u>2,420,288</u>	<u>700,724</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	(7,996)	-	1,320,324	626,475
Restricted For:				
Nonexpendable:				
Higher Education	-	-	716,028	272,351
Other	-	-	-	-
Expendable:				
Higher Education	-	-	2,668,248	522,579
Virginia Pooled Investment Program	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	8,440	-	-
Bond Indenture	1,754,650	-	-	-
Other	-	-	-	-
Unrestricted	223,579	8,038	1,770,904	62,096
Total Net Assets	<u>\$ 1,970,233</u>	<u>\$ 16,478</u>	<u>\$ 6,475,504</u>	<u>\$ 1,483,501</u>

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

Virginia Commonwealth University	Nonmajor Component Units	Total
\$ 224,655	\$ 1,375,156	\$ 2,246,040
448,050	316,408	9,304,722
189,557	2,330,451	9,889,812
36,840	136,406	336,945
26,590	390,628	561,531
18,069	22,109	63,292
10,393	24,733	75,679
4,751	45,838	73,347
18,262	39,558	133,724
-	-	172,390
108,116	779,680	2,035,292
457,280	2,533,167	4,178,712
21,786	134,732	170,205
290,576	1,214,909	2,088,312
768,702	3,847,005	7,067,073
<u>2,623,627</u>	<u>13,190,780</u>	<u>38,397,076</u>
136,189	344,815	925,674
-	6,287	74,375
-	63,292	63,292
17,556	100,252	243,694
1,736	100,408	547,057
130,336	150,560	1,058,842
4,004	10,980	14,984
99,112	304,775	1,028,328
604,765	4,737,237	15,493,011
<u>993,698</u>	<u>5,818,606</u>	<u>19,449,257</u>
558,314	3,224,590	5,721,707
243,327	804,728	2,036,434
-	87,470	87,470
251,260	1,254,939	4,697,026
-	5,846	5,846
-	17,661	17,661
-	1,100,628	1,100,628
-	67,546	75,986
-	-	1,754,650
-	480,711	480,711
577,028	328,055	2,969,700
<u>\$ 1,629,929</u>	<u>\$ 7,372,174</u>	<u>\$ 18,947,819</u>

**Statement of Activities – Component Units**

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Program Revenues				Net (Expenses) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Virginia Housing Development Authority	\$ 491,427	\$ 458,515	\$ 135,529	\$ -	\$ 102,617
Virginia Public School Authority	148,337	143,937	-	-	(4,400)
Higher Education:					
University of Virginia	2,344,680	1,635,257	761,022	187,639	239,238
Virginia Polytechnic Institute & State University	981,404	434,003	282,119	115,015	(150,267)
Virginia Commonwealth University	1,845,105	1,500,680	226,613	58,200	(59,612)
Total Higher Education	5,171,189	3,569,940	1,269,754	360,854	29,359
Nonmajor Component Units:					
Higher Education	3,341,967	1,396,279	632,714	643,631	(669,343)
Other	635,846	501,829	10,293	48,302	(75,422)
Total Nonmajor Component Units	3,977,813	1,898,108	643,007	691,933	(744,765)
Total Component Units	\$ 9,788,766	\$ 6,070,500	\$ 2,048,290	\$ 1,052,787	\$ (617,189)

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	Tobacco Master Settlement & Securitization	Contributions to Permanent / Term Endowments	Extraordinary Items (Note 30)
\$ -	\$ -	\$ 52,329	\$ 33	\$ -	\$ -	\$ -
-	-	4,560	8,035	-	-	-
170,439	-	665,660	7,623	-	18,950	(19,472)
253,717	8,549	88,839	22,312	-	17,745	-
203,783	3,439	106,177	3,960	-	14,535	-
627,939	11,988	860,676	33,895	-	51,230	(19,472)
1,162,249	38,614	135,884	42,662	-	49,063	2,531
83,623	7,183	74,968	9,340	657,578	9,349	-
1,245,872	45,797	210,852	52,002	657,578	58,412	2,531
\$ 1,873,811	\$ 57,785	\$ 1,128,417	\$ 93,965	\$ 657,578	\$ 109,642	\$ (16,941)

Continued on next page

**Statement of Activities – Component Units** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	<b>Changes in Net Assets</b>	<b>Net Assets July 1 as restated (Note 2)</b>	<b>Net Assets June 30</b>
Virginia Housing Development Authority	\$ 154,979	\$ 1,815,254	\$ 1,970,233
Virginia Public School Authority	8,195	8,283	16,478
Higher Education:			
University of Virginia	1,082,438	5,393,066	6,475,504
Virginia Polytechnic Institute & State University	240,895	1,242,606	1,483,501
Virginia Commonwealth University	272,282	1,357,647	1,629,929
Total Higher Education	1,595,615	7,993,319	9,588,934
Nonmajor Component Units:			
Higher Education	761,660	3,320,073	4,081,733
Other	766,619	2,523,822	3,290,441
Total Nonmajor Component Units	1,528,279	5,843,895	7,372,174
Total Component Units	\$ 3,287,068	\$ 15,660,751	\$ 18,947,819

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



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# Notes to the Financial Statements

June 30, 2007

## 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 or incomplete, 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 Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB Statement No. 39) requires 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.

**(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 unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. Blended component units are:

**Pocahontas Parkway Association** (Nonmajor Enterprise Fund) – The Association, a private, non-stock, nonprofit corporation was created to develop, construct, and provide financing for the Route 895 Connector Project (project). The Association is a blended component unit of the Department of Transportation (part of Primary Government) because it is fiscally dependent on the primary government and provides services entirely to the benefit of the Commonwealth. On June 29, 2006, Transurban LLC purchased the assets of the Association, primarily the rights and obligations to manage, operate, maintain and collect tolls on the Pocahontas Parkway (Route 895) for a period of 99 years. The Association was formally dissolved and terminated by the State Corporation Commission on July 26, 2006. The only transaction related to the Association shown in the financial statements for 2007 is the transfer of its remaining cash of \$877,879 to Transurban LLC.

**Virginia Public Building Authority (VPBA)** (Nonmajor Governmental Funds) – 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 seven-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.

**(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 or incomplete. These discrete component units serve or benefit those outside of the primary government.

GASB Statement No. 39 generally requires 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, museums, and the Library of Virginia. The higher education institution nonprofit organizations are included in the applicable higher education institution's column in the accompanying financial statements. The museum foundations, and the Library of Virginia Foundation, which are discretely presented, are more fully described later in this footnote. 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." Discretely presented component units are:

**Higher Education Institutions** – 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 State provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations from the Primary Government of approximately \$1.79 billion and reported Program Revenue – Capital Grants and Contributions of approximately \$761.5 million from the primary government. Therefore, there is a financial benefit/burden to the primary government. The bonds issued to finance the construction of these facilities are obligations of the State. The major higher education institutions are: University of Virginia, including the University of Virginia Hospital and the University of Virginia's College at Wise; Virginia Polytechnic Institute and State University; and Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority. The nonmajor higher education institutions are: 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, the Roanoke Higher Education Authority, the Institute for Advanced Learning and Research, the Southern Virginia Higher Education Center, and the New College Institute are also included as nonmajor 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 his 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 Virginia Department of Accounts, 101 North 14th Street, Richmond, Virginia 23219.

**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 State 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 audited the Authority, and a separate report is available.

**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.

**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 seven-member Board of Trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 900 South Main Street, Blacksburg, Virginia 24060. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

**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. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia Resources Authority (VRA)** (Nonmajor) – The Authority was created as a statewide public body corporate 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. PBGH, LLP audited the Authority, and a separate report is available.

**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 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia Tobacco Settlement Foundation** (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, 5th Floor, 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, and 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 1436 Air Rail Ave, Post Office Box 5915, Virginia Beach, Virginia 23471. KPMG, LLP, audited the Commission, and a separate report is available.

**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.

**Small Business Financing Authority (SBFA)** (Nonmajor) – The Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the

investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 707 East Main Street, Suite 300, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia Schools for the Deaf and Blind Foundation** (Nonmajor) – The Foundation operates as a non-private educational and fundraising organization solely in connection with, and exclusively for the benefit of the Virginia School for the Deaf and Blind at Staunton (part of Primary Government) and the Virginia School for the Deaf, Blind and Multi-Disabled at Hampton (part of Primary Government), and within the jurisdiction and management of the Virginia Board of Education. The Foundation uses a December 31 calendar year-end. The administrative offices of the Foundation are located at the Virginia Department of Education, 101 North 14th Street, Richmond, Virginia, 23219. The Auditor of Public Accounts audits the Foundation along with the audit of the Department of Education, and a separate report is issued.

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

**Belmont Bay Science Center Foundation** (Nonmajor) – The Foundation is a non-stock, nonprofit corporation formed under the *Code of Virginia* for the purpose of implementing and funding those programs, projects and operations to educate the students about science that are authorized and approved by the Trustees of the Science Museum of Virginia. Resources for the Foundation's activities are primarily provided by charitable contributions and investment income. 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.



**Danville Science Center, Inc.** (Nonmajor) – The Foundation is 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. The administrative offices of the Foundation are located at 677 Craghead Street, Danville, Virginia 24541. Goodman and Company, LLP, audits the Foundation, and a separate report is issued.

**Virginia Museum of Fine Arts Foundation** (Nonmajor) – The Foundation operates as a non-profit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (part of Primary Government) has the space and resources for art to help improve the quality of life for many. The administrative offices of the Foundation are located at 2800 Grove Avenue, Richmond, Virginia 23221. KPMG, LLP, audits the Foundation, and a separate report is issued.

**A. L. Philpott Manufacturing Extension Partnership** (Nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The Partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The Partnership has a 23-member Board of Trustees. The Board consists of the presidents of two public four-year institutions of higher education; three community college presidents; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and fifteen 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 Patrick Henry Community College, 645 Patriot Avenue, Post Office Box 5311, Martinsville, Virginia 24115. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

**Virginia Horse Center Foundation** (Nonmajor) – Prior to February 16, 2007, the Virginia Horse Center (Center) was operated by the Virginia Equine Center Foundation. Due to legislative changes, the Virginia Equine Center Foundation was abolished, and all assets and liabilities were transferred to the Virginia Horse Center Foundation (Foundation). As of February 16, 2007, the Foundation operates the Center for the benefit of the equine and tourism industries. The

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

**Certified Nursing Facility Education Initiative** (Nonmajor) – The Initiative was created as a nonprofit corporation by the *Code of Virginia* to assist the Department of Medical Assistance Services (DMAS) (part of Primary Government). The Initiative provides early on-site training and assistance to certified nursing facilities to improve quality of care and life to certified nursing facility residents. The address for the administrative offices of the Initiative is Post Office Box 465, Orange, Virginia 22960. Cole & King, LLC, CPA's audits the Initiative. As of November 1, 2005, the Initiative ceased operations. All residual assets were distributed in fiscal year 2007.

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

**Virginia National Defense Industrial Authority** (Nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority fosters and promotes business, technology, transportation, education, economic development and other efforts in support of the mission, execution, and transformation of the United States military and national defense activities located in the Commonwealth. The Governor appoints a majority of the 16 member board, 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 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia Coalfield Coalition Authority** (Nonmajor) – The Authority was created as a body corporate and as a political subdivision of the Commonwealth. Its goals are to build a diverse, prosperous, self-reliant and globally competitive economy in Virginia's coalfield region through regional cooperation. The Governor appoints the 11-member Board as directed by the *Code of Virginia*. The administrative offices of the Authority are located at Post Office Box 548, Lebanon, Virginia 24266. The Authority is audited by Bostic, Tucker and Company, P.C., and a separate report is available.

**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 203 Governor Street, Suite 402, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation 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 223 Governor Street, 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. 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 Virginia State Library. 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. Yount, Hyde & Barbour, PC, audits the Foundation, and a separate report is issued.

**Innovative Technology Authority (ITA)** (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. The Governor appoints the 16-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 nonstock, 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. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia College Building Authority (VCBA)** (Nonmajor) – 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.

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 \$95.7 million as Program Revenue Capital Grants and Contributions for the 21<sup>st</sup> Century Program and \$71.9 million as Program Revenue Operating Grants and Contributions for equipment. 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 \$471.7 million, is not included in the financial statements.

- (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 of the Commonwealth of Virginia (Commonwealth) during the 2002 General Assembly Session. The Corporation is a public body corporate entity and an independent instrumentality of the Commonwealth, managed by a six-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, a discrete component unit of the Commonwealth. Neither the Commonwealth's nor the Virginia Tobacco Settlement Foundation's (Component Unit) tobacco revenue was securitized. The administrative offices of the Corporation are located at 101 N. 14th Street, 3rd Floor P.O. Box 1879 Richmond, Virginia 23218-1879. PBGH, LLP audited the Authority, and a separate report is available.

**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 3900 Rutrough Road, Roanoke, Virginia 24014. Foti, Flynn, Lowen and Company audited the Authority, and a separate report is available.

**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 twelve members. The Trust operates the Jamestown Settlement and Yorktown Victory Centers' gift shops and café, oversees investments, and sponsors events. The address for the administrative offices of the Trust is Post Office Box 3605, Williamsburg, Virginia 23187. Goodman and Company, LLP, audited the Trust, and a separate report is available.

**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 7-member board. The administrative offices of the Program are located at 9100 Arboretum Parkway Suite 365, Richmond, Virginia 23236. Cherry, Bekaert, & Holland, LLP, audited the Program, and a separate report is available.

**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 Post Office Box 111, 32386 Lankford Highway, Cape Charles, Virginia 23310. KPMG, LLP, audited the Commission, and a separate report is available.

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

The government-wide financial statements, the Statement of Net Assets 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 and contributions 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.



Net assets are restricted when constraints are placed on them that are imposed by external parties or constitutional provisions. Designations solely imposed by the Commonwealth's management are not presented as restricted net assets. 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.

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 as 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 mental 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, and institutions of higher education.

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

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

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

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for reporting their enterprise funds (including component units reporting as business-type activities). All enterprise funds reported herein, with the exception of the State Lottery (Major Enterprise Fund), the Pocahontas Parkway (Nonmajor Enterprise Fund), Mental Health Local Funds (Nonmajor Enterprise Fund), the Virginia Port Authority (Nonmajor Component Unit), the A. L. Philpott Manufacturing Extension Partnership (Nonmajor Component Unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – Major), the Roanoke Higher Education Authority (Nonmajor Component Unit), and the Innovative Technology Authority (Nonmajor Component Unit) apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The State Lottery (Major Enterprise Fund), the Pocahontas Parkway (Nonmajor Enterprise Fund), Mental Health Local Funds (Nonmajor Enterprise Fund), the Virginia Port Authority (Nonmajor Component Unit), the A. L. Philpott Manufacturing Extension Partnership (Nonmajor Component Unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – Major), the Roanoke Higher Education Authority (Nonmajor Component Unit), and the Innovative Technology Authority (Nonmajor Component Unit) apply all of these pronouncements, and also apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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 Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. FASB rather than GASB pronouncements are followed. 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 calendar rather than a fiscal year-end. Foundations (Component Units) with a calendar year-end are included in these financial statements for the year ending December 31, 2006. Significant intrafund activity/balances between each higher education institution and their foundations have been eliminated. However, Old Dominion University (Nonmajor Component Unit) reported the following intrafund balances that could not be eliminated because of differing year-ends: institution assets of \$74.1 million and liabilities of

\$75.0 million, and foundation assets of \$59.0 million and liabilities of \$75.6 million.

The Primary Government reports the following major enterprise funds:

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

**Virginia College Savings Plan Fund** – Administers the Virginia Prepaid Education 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 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 mental health facilities, and parks.

**Permanent Funds** – Account for transactions of the Commonwealth Health Research Fund, the Prescription Monitoring Fund, and the Mental Health Endowment Funds whose principal must be maintained intact and whose income is used to benefit the Commonwealth's citizens and mental 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, and engineering 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 plans, 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 State, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary (major) – Special Revenue Fund. Formal budgetary integration is not employed for the Capital Projects (nonmajor), Debt Service (nonmajor), Permanent Funds (nonmajor), and the Literary – Special Revenue (major) 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, and Investments**

##### **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, 2007, the General Fund had a negative cash balance of \$5.0 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the Primary Government's cash equivalents and investments (see Note 6).

##### **Cash Equivalents**

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

##### **Investments**

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

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost. 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 (VRS) 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 VRS' share of their earnings (losses) for the period is included in investment income using the equity method.

Investments of higher education institutions (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 6).

#### **G. Receivables**

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as Federal receivables of the Primary Government's Medicaid program. Receivables in the Proprietary Funds consist primarily of tuition contributions receivable. Receivables of Fiduciary Funds are primarily the accrual of member and employer contributions in the Pension and Other Employee Benefit Trust Funds and the accrual of local sales taxes in the Agency Funds. Receivables of the Component Units consist primarily of mortgage receivables, loans receivable, 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 Assets, 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 offset by a fund balance reserve that indicates they are not available for spending. Inventories exceeding \$1 million of the General and the Special Revenue Funds are maintained at cost using the first-in, first-out (FIFO) methodology, except for the following:

- Department of State Police (VSP)
- Virginia Department of Transportation (VDOT)
- Department of Health (VDH)
- Department for the Blind and Vision Impaired (DBVI)

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

Inventories maintained by Correctional Enterprises (Internal Service Fund) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Museum of Fine Arts (Nonmajor Enterprise Fund), the Science Museum of Virginia (Nonmajor Enterprise Fund), the Consolidated Laboratory (Nonmajor Enterprise Fund), and the Library of Virginia (Nonmajor Enterprise Fund) are stated at cost using FIFO. Inventories maintained by the Internal Service Funds except for Correctional Enterprises 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.

The Virginia Industries for the Blind (Nonmajor Enterprise Fund) maintains inventories at cost using the average cost methodology.

Institutions of higher education (Component Units) use several methods for inventory valuations, including cost using FIFO, the lower of cost or market using FIFO, or weighted average methods. Inventories maintained by the Virginia Horse Center Foundation (Nonmajor Component Unit) are stated at the lower of cost or market using FIFO.



Inventories maintained by the Virginia Port Authority (Nonmajor Component Unit) are reported using the moving average cost methodology. The Virginia Housing Development Authority (Major Component Unit) maintains inventories at the lower of cost or fair value.

**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 Assets. 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 are stated at fair market value at the time of donation. 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 property, plant, and infrastructure that have a cost or value greater than \$100,000 and an expected useful life of greater than two years. Selected agencies and institutions of higher education 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 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. Expenditures are classified as construction-in-progress if:

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

The estimated lives of capital assets are as follows:

	<u>Years</u>
Buildings	10-75
Equipment	2-50
Infrastructure	5-50

Selected institutions of higher education may utilize estimated lives and policies that differ from the above for various reasons.

**O. 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 include payments for nonexchange transactions that met eligibility requirements prior to year-end (see Note 21).

**P. Unearned and Deferred Revenue**

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2007. Deferred revenue represents revenues accrued but not available to finance expenditures of the current fiscal period. The majority of unearned revenue is reported by higher education institutions (Component Unit), 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 General Fund (Major), deferred revenue represents receivables that will be collected after August 31, 2007. In the Special

Revenue Funds, unearned revenue is composed primarily of a settlement from an OxyContin lawsuit in Special Revenue – Other. In the Enterprise Funds, a majority of unearned revenue represents on-line ticket monies received by the State Lottery (major) for which corresponding drawings have not been held and unearned revenues of Consolidated Laboratory (nonmajor). In the Internal Service Funds, it represents primarily unearned premiums for the Risk Management Fund and prepaid rent and work orders for the Property Management Fund. Additionally, in the Virginia Information Technologies Agency Internal Service Fund, unearned revenue relates to the transfer and purchase of assets for transition agencies and advanced customer receipts. Unearned revenues in the other component units consist primarily of the deferral of fees related to various activities.

#### **Q. Deferred Taxes**

Deferred taxes represent the deferral of income taxes withheld or received for the period January through June 2007. 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 \$668,994,200 and estimated underpayments total \$425,692,386. This results in deferred taxes of \$243,301,814.

Corporate income tax estimated overpayments total \$12,746,923 and estimated underpayments total \$55,924,315. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for corporate income taxes, the deferred tax amount is zero for the fiscal year.

#### **R. 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.

#### **S. 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 22).

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 2007, the Primary Government's agencies did not participate in short-term borrowings with external parties.

Higher Education Institutions' Foundations (Component Units) have short-term debt outstanding as of year-end that amount to approximately \$40.9 million. Also, the University of Virginia (Major Component Unit) reports \$64.2 million of commercial paper that provides bridge financing for capital projects.

#### **T. Claims Payable**

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2007. 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 20.A. and 20.B.).

#### **U. 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. 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 23).

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 23).

**V. Reserved Fund Balances**

Reserved fund balances indicate that portion of fund balance that is not available to fund operations or is legally segregated for specific future use. Fund balance reservations are not specifically denoted in instances where the nature of the fund dictates the entire amount is reserved.

**W. Unreserved, Designated Fund Balances**

Designations of fund balance, as shown in Note 4, are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the Primary Government to designate the portion of fund balance set aside by the General Assembly through the Appropriation Act to fund tentative but approved future plans. Unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund balance. It is the policy of the Primary Government to limit such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur.

**X. Unreserved, Undesignated Fund Balances**

The unreserved, undesignated basis of budgeting fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated fund balance described in Notes 1.V. and 1.W. above.

**Y. Cash Management Improvement Act**

Included in "Due to Other Governments" is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the Federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on or before March 1, 2008. 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 annualized average earnings rate of 13-week Treasury Bills.

**Z. Interest, Dividends, Rents, and Other Investment Income**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investment income is reported in this line item. Since this amount includes changes in the fair value of investments, the amount reported may be negative. In addition, the amount reported also includes rent payments received on properties owned by the Commonwealth.

**AA. 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.

**BB. 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:

- Governmental Activities have been restated for the following: a correction of prior year errors regarding the understatement of capital assets of \$138.2 million due primarily to an unrecorded asset and changes in accounting principle related to Other Liabilities (taxes) and amounts “due to” higher education institutions component units. These changes resulted in a liability overstatement of \$151.7 million and a liability understatement of \$97.7 million, respectively (see Note 31).
- Component Units have been restated for various reasons as explained below.

The various individual fund amounts have been restated due to the following:

- The General Fund restatement is due to the following changes in accounting principle. The first change related to an estimate of deferred taxes that resulted in an overstatement of liabilities by \$132.0 million. The second change related to amounts “due to” higher education institution component units that resulted in an understatement of liabilities by \$11.6 million (see Note 31).
- The Nonmajor Special Revenue funds were restated due to a change in reporting classification. Due to the significant dollar amount in the fund, a new Special Revenue Classification – Special Revenue – Water Quality Improvement Fund is now reported separately.
- The Nonmajor Capital Project Funds were restated for a change in accounting principle for amounts “due to” higher education institutions component units related to the Department of Treasury’s reimbursement programs (see Note 31).

- The University of Virginia amount has been restated due to a procedural error related to the one-time change in the Commonwealth’s payroll accrual process during fiscal year 2006. The University did not properly accrue corresponding revenue, thereby creating a mismatch between accrued revenues and expenses, resulting in an overstatement of revenues for the prior year of approximately \$10.1 million. A foundation overstated a pension liability by approximately \$0.9 million. In addition, a foundation had a change in reporting by realizing a revocable trust is a component unit of the foundation. This resulted in a beginning net asset increase of approximately \$3.2 million. The remaining change in accounting principle is described in the next paragraph.
- The University of Virginia, Virginia Polytechnic Institute and State University, Virginia Commonwealth University, and the Nonmajor Higher Education Institution amounts have been restated for a change in accounting principle for amounts “due from” the General Fund related to the institutions’ General Fund appropriation available amounts and amounts “due from” the Capital Project Funds (Nonmajor) and the Virginia College Building Authority (Nonmajor Component Unit) related to the Department of Treasury’s reimbursement programs (see Note 31).
- Agency Funds have been restated to correct a prior year error regarding the understatement of amounts due from other funds.



**Beginning Balance Restatement**

*(Dollars in Thousands)*

	<u>Balance as of June 30, 2006</u>	<u>Correction of Prior Year Errors</u>	<u>Change in Reporting</u>	<u>Change in Accounting Principle</u>	<u>Balance June 30, 2006 as restated</u>
<b>Government-wide Activities:</b>					
Primary Government:					
Governmental Activities	\$ 16,098,634	\$ 138,221	\$ -	\$ 54,015	\$ 16,290,870
Business-type Activities	839,858	-	-	-	839,858
Total Primary Government	<u>\$ 16,938,492</u>	<u>\$ 138,221</u>	<u>\$ -</u>	<u>\$ 54,015</u>	<u>\$ 17,130,728</u>
Component Units	<u>\$ 15,569,134</u>	<u>\$ (9,239)</u>	<u>\$ 3,181</u>	<u>\$ 97,675</u>	<u>\$ 15,660,751</u>
<b>Major Governmental Funds:</b>					
General	\$ 2,135,487	\$ -	\$ -	\$ 120,388	\$ 2,255,875
Special Revenue Funds:					
Commonwealth Transportation	1,831,378	-	-	-	1,831,378
Federal Trust	49,687	-	-	-	49,687
Literary	300,921	-	-	-	300,921
<b>Nonmajor Governmental Funds:</b>					
Special Revenue Funds:					
Health and Social Services Fund	160,838	-	-	-	160,838
Water Quality Improvement Fund	-	-	166,376	-	166,376
Other Special Revenue Fund	646,760	-	(166,376)	-	480,384
Total Special Revenue	<u>807,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>807,598</u>
Debt Service Funds:					
Primary Government	94,265	-	-	-	94,265
Virginia Public Building Authority	164	-	-	-	164
Total Debt Service	<u>94,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,429</u>
Capital Project Funds:					
Primary Government	60,589	-	-	(6,860)	53,729
Virginia Public Building Authority	(76,662)	-	-	(99)	(76,761)
Total Capital Projects	<u>(16,073)</u>	<u>-</u>	<u>-</u>	<u>(6,959)</u>	<u>(23,032)</u>
Permanent Funds:					
Commonwealth Health Research Fund	29,342	-	-	-	29,342
Mental Health Endowment Funds	248	-	-	-	248
Total Permanent Funds	<u>29,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,590</u>
<b>Total Nonmajor Governmental Funds</b>	<u>915,544</u>	<u>-</u>	<u>-</u>	<u>(6,959)</u>	<u>908,585</u>
<b>Total Governmental Funds</b>	<u>\$ 5,233,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,429</u>	<u>\$ 5,346,446</u>

**Beginning Balance Restatement  
Component Units**

(Dollars in Thousands)

	Balance as of June 30, 2006	Correction of Prior Year Errors	Change in Reporting	Change in Accounting Principle	Balance June 30, 2006 as restated
<b>Major Component Units</b>					
Virginia Housing Development Authority	\$ 1,815,254	\$ -	\$ -	\$ -	\$ 1,815,254
Virginia Public School Authority	8,283	-	-	-	8,283
University of Virginia	5,393,729	(9,239)	3,181	5,395	5,393,066
Virginia Polytechnic Institute and State University	1,235,261	-	-	7,345	1,242,606
Virginia Commonwealth University	1,355,991	-	-	1,656	1,357,647
<b>Nonmajor Component Units</b>					
Virginia Economic Development Partnership	749	-	-	-	749
Virginia Outdoors Foundation	12,366	-	-	-	12,366
Virginia Port Authority	366,365	-	-	-	366,365
Virginia Resources Authority	1,041,878	-	-	-	1,041,878
Virginia Tourism Authority	1,544	-	-	-	1,544
Virginia Tobacco Settlement Foundation	6,460	-	-	-	6,460
Tobacco Indemnification and Community Revitalization Commission	437,051	-	-	-	437,051
Hampton Roads Sanitation District Commission	362,771	-	-	-	362,771
Virginia Biotechnology Research Park Authority	11,707	-	-	-	11,707
Virginia Small Business Financing Authority	23,446	-	-	-	23,446
Virginia Schools for the Deaf and Blind Foundation	2,797	-	-	-	2,797
Science Museum of Virginia Foundation	14,428	-	-	-	14,428
Virginia Museum of Fine Arts Foundation	209,460	-	-	-	209,460
A. L. Philpott Manufacturing Extension Partnership	1,887	-	-	-	1,887
Virginia Horse Center Foundation	1,336	-	-	-	1,336
Certified Nursing Facility Education Initiative	15	-	-	-	15
Assistive Technology Loan Fund Authority	11,690	-	-	-	11,690
Virginia Land Conservation Foundation	12,722	-	-	-	12,722
Virginia Arts Foundation	437	-	-	-	437
Library of Virginia Foundation	4,713	-	-	-	4,713
College of William and Mary	842,427	-	-	5,905	848,332
Virginia Military Institute	434,361	-	-	11,267	445,628
Virginia State University	107,012	-	-	7,440	114,452
Norfolk State University	95,501	-	-	1,927	97,428
University of Mary Washington	132,260	-	-	7,560	139,820
James Madison University	382,948	-	-	721	383,669
Radford University	183,428	-	-	3,457	186,885
Old Dominion University	370,965	-	-	6,313	377,278
George Mason University	391,509	-	-	5,404	396,913
Virginia Community College System	586,903	-	-	30,679	617,582
Christopher Newport University	148,084	-	-	1,912	149,996
Longwood University	171,672	-	-	2,048	173,720
Southwest Virginia Higher Education Center	9,766	-	-	48	9,814
Roanoke Higher Education Authority	15,783	-	-	-	15,783
Innovative Technology Authority	23,668	-	-	-	23,668
Institute for Advanced Learning and Research	7,565	-	-	-	7,565
Southern Virginia Higher Education Center	211	-	-	76	287
Virginia College Building Authority	(667,269)	-	-	(1,478)	(668,747)
<b>Total Nonmajor Component Units</b>	<b>5,760,616</b>	<b>-</b>	<b>-</b>	<b>83,279</b>	<b>5,843,895</b>
<b>Total Component Units</b>	<b>\$ 15,569,134</b>	<b>\$ (9,239)</b>	<b>\$ 3,181</b>	<b>\$ 97,675</b>	<b>\$ 15,660,751</b>

**Beginning Balance Restatement  
Agency Funds**

(Dollars in Thousands)

	Balance as of July 1, 2006	Correction of Prior Year Error	Balance as of July 1, 2006, as restated
<b>Agency Funds</b>			
Funds for the Collection of Taxes and Fees	\$ 244,596	\$ -	\$ 244,596
Employee Benefits Fund	4,739	-	4,739
Contractor Deposits Fund	33,057	-	33,057
Deposits of Insurance Carriers Fund	400,451	-	400,451
Inmate and Ward Fund	7,075	-	7,075
Child Support Collections Fund	14,275	8,000	22,275
Mental Health Patient Trust Fund	2,396	-	2,396
Mental Health Non-patient Trust Fund	20	-	20
Comptroller's Debt Setoff Fund	945	-	945
Unclaimed Property of Other States	4,560	-	4,560
Legal Settlement Fund	1,035	-	1,035
Consumer Services Fund	846	-	846
Department of State Police Fund	874	-	874
Aviation Fund	107	-	107
Virginia School for the Deaf and Blind Fund	29	-	29
Woodrow Wilson Rehabilitation Center Fund	21	-	21
Dog and Cat Sterilization Fund	2	-	2
Commuter Rail Fund	13,716	-	13,716
Environmental Quality Fund	546	-	546
<b>Total Agency Funds</b>	<b>\$ 729,290</b>	<b>\$ 8,000</b>	<b>\$ 737,290</b>

**3. DEFICIT FUND BALANCES / NET ASSETS**

The State Lottery (Major Enterprise Fund) and Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) ended the year with deficit net assets of \$2.9 million and \$8.4 million, respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Library of Virginia (Nonmajor Enterprise Fund) ended the year with a deficit net assets balance of \$213,712. This is attributable to start-up costs and other operating expenses exceeding revenues.

The Property Management Fund (Internal Service Fund) ended the year with a deficit net assets balance of \$5.4 million. This deficit was the result of the purchase of a leasehold interest in a state-owned building in fiscal year 2006.

The Risk Management Fund (Internal Service Fund) ended the year with a deficit net assets balance of

\$222.1 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 Building Authority Capital Projects Fund (Nonmajor Governmental Fund) ended the year with a deficit fund balance of \$23.3 million. The Authority issues bonds based on estimated expenditures for approved capital projects. This deficit occurred because expenditures were incurred prior to year-end, but will not be paid until fiscal year 2008 when additional bonds are issued.

The Virginia College Building Authority (Nonmajor Component Unit) ended the year with a deficit net asset balance of \$764.4 million. This deficit occurs because the Authority issues bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security.

#### 4. GENERAL FUND ANALYSIS – BASIS OF BUDGETING

The following schedule represents reservations and designations of General Fund balance on the basis of budgeting. The designated amounts differ from those presented in the General Fund Preliminary (Unaudited) Annual Report dated August 15, 2007, due to the effects of a Department of Taxation system interface application change.

**Reservations and Designations of Fund Balance**  
**General Fund, Basis of Budgeting**  
 June 30, 2007

*(Dollars in Thousands)*

<hr/>		
Reserved Fund Balance:		
Revenue Stabilization Reserve Fund	\$ 1,189,834	
Revenue Stabilization Reserve 2006	114,845	
Payroll Reserve for July 1, 2007 Payroll	87,249	
Unexpended Lottery Proceeds	28,600	
Total Reserved Fund Balance		1,420,528
Unreserved Fund Balance:		
Designated:		
Amount Required for Reappropriation of 2007		
Unexpended Balances for Capital Outlay	854,650	
Natural Disaster Sum Sufficient	29,225	
Amount Required by Chapter 847	111,256	
Amount Required for Mandatory Appropriation		
2007 Transportation Initiative	500,000	
2007 Unexpended Balances	39,442	
Total Designated Fund Balance		1,534,573
Fund Balance, June 30, 2007		<u><u>\$ 2,955,101</u></u>

#### 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. The General Assembly has appropriated \$184.3 million for deposit into the Fund during fiscal year 2008. The *Constitution of Virginia* also stipulates that deposits cannot be made in excess of the maximum fund limit certified by the Auditor of Public Accounts, the amount reserved for deposit was limited to \$114.8 million.

The Constitution requires a deposit based on growth in income and retail sales tax revenue and allows revenue growth from increases in tax rates or the repeal of exemptions to be excluded, in whole or part, from the deposit calculation for up to six years. The calculated deposit including all revenue increases from tax reform is \$21.3 million, and the calculated deposit excluding all revenue increases from tax reform (including those derived from estimates) is \$75.2 million. The Department of Planning and Budget has identified \$21.3

million for deposit into the Fund during fiscal year 2009. Sufficient cash is not available to designate this amount.

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 designation is required since the specified criteria were not met for fiscal year 2007.

The Revenue Stabilization Fund has principal and interest on deposit of \$1.2 billion reserved as a part of General Fund balance which equals the maximum amount allowed for fiscal year 2007. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The maximum amount allowed is \$1.2 billion and \$1.3 billion for fiscal year 2007 and fiscal year 2008, respectively.

## 6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2007, the carrying amount of cash for the primary government was \$3,889,579,805 and the bank balance was \$249,352,345. The carrying amount of cash for the component units was \$1,288,463,881 and the bank balance was \$389,996,567. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for Foundations (Component Units) totaled \$403,818,365 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.

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 percent to 100 percent of public deposits in the case of a bank and 100 percent to 110 percent for a savings institution.

Securities pledged by banks and savings institutions, under the Act, are held by an approved escrow agent for the Treasury Board. In the event a depository bank defaults or becomes insolvent, the Treasury Board first assesses the collateral of the defaulting or insolvent institution and then assesses the collateral pledged by other public depositories on a statutory based ratio to the extent necessary to satisfy the assessment against the defaulting bank. The collateral pledged by all banks is sufficient to cover the uncollateralized public deposits of any single bank. Upon default or insolvency of a savings institution, the Treasury Board assesses the institution the amount of public funds on deposit in excess of FDIC insurance. The State Treasurer liquidates the necessary pledged collateral of the institution to reimburse public depositors to the extent of the institution's deposit liability to them. As a result, these deposits are considered insured.

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

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

- U.S. Treasury and agency securities
- Corporate debt securities
- Asset-backed securities
- Mortgage-backed securities
- 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.

Certain investments held in trust by the Treasurer of Virginia 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 (VRS) (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 VRS 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 VRS 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 credit risk pertaining to the Commonwealth's securities lending program are found in the securities lending section of this note.

As of June 30, 2007, the primary government had \$628,624,349 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The VRS had \$628,200,000 of this amount that consisted of various types of debt and equity securities that were held by counterparties' trust departments or agents, but not in the VRS' name. Investments held by broker-dealers under securities loan for U.S. Government and Agency Securities represented \$356,075,000 and U.S. Treasury and Agency Securities represented \$138,245,000 of the total. The remainder was for various types of debt and equity securities. The component units had \$51,627,212 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. U.S. Treasury and Agency securities represented \$23,783,931 and Repurchase Agreements represented \$9,918,554 of the total and the remainder was for various types of debt and equity securities.

As of June 30, 2007, the investments of the Pension and Other Employee Benefit Trust Funds were approximately 61 percent of the primary government investments, and 99.9 percent of those that were exposed to custodial risk.

## Interest Rate Risk

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

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

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

The State Treasurer's guidelines further describe target durations for the overall General Account portfolio of 1.6 years, with a 2.3 year maximum and a 0.4 year minimum duration.

The VRS 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.

At June 30, 2007, the Commonwealth had the following investments and maturities:

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
U. S. Treasury and Agency Securities	\$ 1,404,932	\$ 220,095	\$ 794,187	\$ 240,789	\$ 149,861
Corporate Notes	5,364,812	2,027,876	2,375,107	711,488	250,341
Corporate Bonds	6,342,398	3,971,465	1,754,208	371,791	244,934
Commercial Paper	5,187,801	5,187,801	-	-	-
Negotiable Certificates of Deposit	3,438,096	3,438,092	4	-	-
Non-negotiable Certificates of Deposit	60,476	60,074	402	-	-
Repurchase Agreements	3,166,562	3,166,562	-	-	-
Municipal Securities	84,744	8,349	29,244	14,715	32,436
Asset Backed Securities	2,681,600	1,169,799	616,479	244,384	650,938
Agency Mortgage Backed	4,014,174	53,207	1,811,188	1,681,550	468,229
Mutual and Money Market Funds (Includes SNAP)	410,746	410,630	116	-	-
The Boston Company Pooled Employee Trust Fund	394,867	394,867	-	-	-
Guaranteed Investment Contracts	305,822	-	305,822	-	-
Fixed Income and Commingled Funds	1,281,158	-	1,168,544	112,614	-
Deposits with the U.S. Treasury for Unemployment Compensation	822,001	822,001	-	-	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	2,535,966	79,303	1,437,158	700,208	319,297
Corporate Notes	266,341	91,075	92,056	72,856	10,354
Corporate Bonds	212,083	72,464	75,255	19,969	44,395
Other	1,298,974	513,961	401,424	267,106	116,483
<b>Total</b>	<b>\$ 39,273,553</b>	<b>\$ 21,687,621</b>	<b>\$ 10,861,194</b>	<b>\$ 4,437,470</b>	<b>\$ 2,287,268</b>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
U. S. Treasury and Agency Securities	\$ 201,925	\$ 163,678	\$ 19,853	\$ 12,173	\$ 6,221
Corporate Notes	82,925	14,140	13,709	5,363	49,713
Corporate Bonds	307,411	168,047	127,388	3,498	8,478
Commercial Paper	806,484	806,484	-	-	-
Negotiable Certificates of Deposit	7,366	7,366	-	-	-
Non-negotiable Certificates of Deposit	43,015	43,015	-	-	-
Repurchase Agreements	116,412	116,412	-	-	-
Municipal Securities	3,200,655	26,386	99,448	90,224	2,984,597
Asset Backed Securities	313,297	3,111	16,538	4,050	289,598
Agency Mortgage Backed	72,551	10,778	4,052	9,218	48,503
Mutual and Money Market Funds (Includes SNAP)	870,903	829,140	14,509	25,256	1,998
Guaranteed Investment Contracts	519,624	-	251,958	-	267,666
Fixed Income and Commingled Funds	14,373	8,750	5,623	-	-
Other	53,201	668	2,059	25,029	25,445
<b>Total</b>	<b>\$ 6,610,142</b>	<b>\$ 2,197,975</b>	<b>\$ 555,137</b>	<b>\$ 174,811</b>	<b>\$ 3,682,219</b>



**Foundation Investments**  
(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury and Agency Securities	\$ 790,811
Common & Preferred Stocks	2,658,978
Corporate Notes	21,491
Corporate Bonds	82,724
Commercial Paper	6,963
Negotiable Certificates of Deposit	25,149
Municipal Securities	430,606
Asset Backed Securities	1,464
Agency Mortgage Backed	4,683
Mutual and Money Market Funds	874,139
Bankers' Acceptance	247
Real Estate	294,682
Index Funds	64,927
Hedge Funds	2,058,856
Investment in Grantor Trust	357,914
Partnerships and Other Joint Ventures	192,619
Others	353,522
<b>Total</b>	<b>\$ 8,219,775</b>

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 of the Commonwealth 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 and A-1, 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 and Busted Convertibles: A or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P. However, each external investment manager may invest up to 10 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). In addition, all such rated securities purchased in the portfolio must be considered "investment grade" by Lehman Brothers as related to inclusion in the appropriate Lehman index. Busted convertibles must be liquidated prior to conversion to equity. Also, to avoid holding the equity-like securities, busted convertibles must be sold when they reach 105 percent of their bond value.
- Taxable Municipal Bonds: A or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P

- Asset-backed securities: AAA or better by two nationally recognized rating agencies, one of whom 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), Collateralized Mortgage Obligations (CMOs), and Planned Amortization Classes (PACs): AAA or better by two nationally recognized rating agencies, one of whom 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, 2007. The ratings presented below are using Standard & Poor's (S&P) and Moody's Investors Service (Moody's) rating scales. Within the primary government, the investments presented in the table represented 74.99 percent of the total debt securities, 8.75 percent of which were invested in unrated Negotiable Certificates of Deposit. Within the component units, the investments presented in the table represented 91.04 percent of the total debt securities, 42.96 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 the Derivative Financial Instruments note.

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



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

<u>Investment</u>	<u>Amount</u>	<u>Rating Agency</u>	<u>Rating</u>	<u>Percent of Portfolio</u>
Negotiable Certificates of Deposit	\$ 3,438,096		N/A	8.75%
Agency Mortgage Backed	3,428,622		Unrated	8.73%
Commercial Paper	3,186,325	Standard & Poor's	A-1+	8.11%
Investments held by broker-dealers under securities loans (U.S. Government and Agency Securities)	2,535,665		N/A	6.46%
Repurchase Agreements	1,922,023	Moody's	P-1	4.89%
Corporate Bonds	1,902,916	Standard & Poor's	AAA	4.85%
Commercial Paper	1,523,918	Moody's	P-1	3.88%
U. S. Treasury and Agency Securities	1,404,932		N/A	3.58%
Asset Backed Securities	1,319,955	Standard & Poor's	AAA	3.36%
Asset Backed Securities	1,241,590	Moody's	Aaa	3.16%
Corporate Bonds	1,124,732		Unrated	2.86%
Deposits with the U.S. Treasury for Unemployment Compensation	822,001		Unrated	2.09%
Other Debt Securities	804,155	Moody's	Aaa	2.05%
Repurchase Agreements	785,137	Standard & Poor's	A-1+	2.00%
Corporate Notes	672,129	Standard & Poor's	AAA	1.71%
Corporate Notes	604,358		Unrated	1.54%
Fixed Income and Commingled Funds	597,065	Moody's	Aaa	1.52%
Corporate Bonds	571,369	Moody's	Aaa	1.45%
Corporate Bonds	549,699	Moody's	P-1	1.40%
Corporate Notes	511,180	Standard & Poor's	AA-	1.30%
Agency Mortgage Backed	511,020	Standard & Poor's	AAA	1.30%

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

<u>Investment</u>	<u>Amount</u>	<u>Rating Agency</u>	<u>Rating</u>	<u>Percent of Portfolio</u>
Municipal Securities	\$ 2,839,766		Unrated	42.96%
Commercial Paper	754,417	Moody's	P-1	11.41%
Guaranteed Investment Contracts	519,624		N/A	7.86%
Mutual and Money Market Funds (Includes SNAP)	467,162		N/A	7.07%
Asset Backed Securities	304,747	Moody's	Aaa	4.61%
Corporate Bonds	235,181	Standard & Poor's	AAA	3.56%
Municipal Securities	224,807	Standard & Poor's	AAA	3.40%
U. S. Treasury and Agency Securities	201,925		N/A	3.05%
Mutual and Money Market Funds (Includes SNAP)	165,172	Standard & Poor's	AAA	2.50%
Repurchase Agreements	96,831	Moody's	P-1	1.46%
Mutual and Money Market Funds	75,554	Standard & Poor's	AAA	1.14%
Mutual and Money Market Funds	69,584		N/A	1.05%
Mutual and Money Market Funds	64,173		Unrated	0.97%

**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 percent of the total market value of its investments. In addition, the Treasury and VRS 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 5 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.

The VRS investment guidelines for each specific portfolio also limit investments in any corporate entity to no more than 5 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 percent or more of plan net assets available for benefits.

## Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. All investments exposed to foreign currency risk were part of the VRS portfolio at June 30, 2007.

The VRS' currency risk exposure, or exchange rate risk, primarily exists in the international and global equity

investment holdings. From time to time, the VRS' external managers may hedge their portfolios' foreign currency exposures with currency forward contracts. This will depend upon their views about a specific foreign currency relative to the U.S. dollar. The VRS' exposure to foreign currency risk is highlighted in the following table.

### Currency Exposures by Asset Class

(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Corporate Bonds	Private Equity	Real Estate	International Funds	Total
U. S. Dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,865,259	\$ 4,865,259
Euro Currency Unit	12,682	1,686,524	11,281	648,439	30,379	-	2,389,305
British Pound Sterling	-	1,434,282	(13,092)	34,657	1,355	-	1,457,202
Australian Dollar	6,438	1,013,411	-	-	35,054	-	1,054,903
Canadian Dollar	1,738	602,488	(998)	-	6,868	-	610,096
Norwegian Krone	245	473,492	6,097	-	-	-	479,834
Hong Kong Dollar	3,239	353,445	-	-	31,975	-	388,659
New Taiwan Dollar	8,810	363,592	-	-	-	-	372,402
Swedish Krona	728	313,299	-	28,612	2,233	-	344,872
Japanese Yen	38,376	204,040	33,869	-	1,614	-	277,899
South Korean Won	839	239,372	-	-	-	-	240,211
Brazil Real	800	231,236	6,528	-	-	-	238,564
Indian Rupee	5,233	191,530	-	-	-	-	196,763
Mexican New Peso	313	127,887	-	-	-	-	128,200
S African Comm Rand	850	104,144	-	-	-	-	104,994
Singapore Dollar	237	75,984	-	-	16,798	-	93,019
New Turkish Lira	649	74,928	-	-	-	-	75,577
Thailand Baht	57	60,047	-	-	-	-	60,104
Israeli Shekel	930	57,303	-	-	-	-	58,233
Polish Zloty	283	40,158	-	-	-	-	40,441
Malaysian Ringgit	919	37,449	-	-	-	-	38,368
Danish Krone	264	33,319	-	-	-	-	33,583
Russian Rubel (New)	3	32,290	-	-	-	-	32,293
Egyptian Pound	451	26,592	-	-	-	-	27,043
Chinese Yuan Renminbi	-	24,242	-	-	-	-	24,242
Indonesian Rupian	116	14,824	-	-	-	-	14,940
Chilean Peso	-	12,714	-	-	-	-	12,714
Hungarian Forint	1,125	8,014	-	-	-	-	9,139
Turkish Lira	7,189	-	-	-	-	-	7,189
Romanian Leu	-	7,171	-	-	-	-	7,171
Pakistan Rupee	-	5,220	-	-	-	-	5,220
Philippines Peso	179	3,538	-	-	-	-	3,717
Argentina Peso	-	(10,561)	-	-	-	-	(10,561)
Czech Koruna	116	(20,868)	-	-	-	-	(20,752)
New Zealand Dollar	9	(171,285)	-	-	-	-	(171,276)
Swiss Franc	3,300	(496,776)	-	-	539	-	(492,937)
<b>Total</b>	<b>\$ 96,118</b>	<b>\$ 7,153,045</b>	<b>\$ 43,685</b>	<b>\$ 711,708</b>	<b>\$ 126,815</b>	<b>\$ 4,865,259</b>	<b>\$ 12,996,630</b>

## Securities Lending

The State Treasury's securities lending program is managed by Dresdner Bank, AG – New York Branch, under a contract dated March 31, 2006. 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 Treasury with a 24-hour notice or are term repurchase agreements with the right of substitution. Per the contract with Dresdner Bank, AG – New York Branch, all cash reinvestment securities attributable to loans made on the Commonwealth's behalf shall be maintained by Dresdner Bank, AG – New York Branch, and Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Dresdner Bank, AG – New York Branch, provides for loss indemnification against Insolvency Default in respect of Lending Transactions and in the case of Reverse Transactions as defined in the applicable Agency Securities Lending and Repurchase Agreement. Additionally, Dresdner Bank, AG – New York Branch, 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 losses resulting from default during the reporting period, or recoveries of prior period losses during this reporting period.

When securities are loaned, the collateral received is at least 100 percent of fair value of the securities loaned and must be maintained at 100 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 caps the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 36 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, 2007, all collateral received was in the form of cash.

Securities loaned for the general account as of June 30, 2007, had a carrying value of \$2,207,716,672 and a fair value of \$2,225,784,988. The fair value of the collateral received was \$2,252,228,573 providing for coverage of 101.2 percent. As a result, the State Treasury assumes no credit risk.

Current cash investment guidelines allow for a maximum weighted-average portfolio maturity of up to 60 days. At June 30, 2007, the cash reinvestment portfolio had a weighted average maturity of 35 days. Treasury's current cash reinvestment guidelines allow for investment in Government securities, AAA rated sovereign governments, asset backed securities, commercial paper and corporate notes, negotiable certificates of deposit, liquid master notes and promissory notes, bank notes, repurchase agreements collateralized by U.S. Treasury and Agency issues, and registered money market funds. At June 30, 2007, the majority of the cash reinvestments were in asset backed and corporate floating rate securities, corporate bonds, commercial paper, and tri-party repurchase agreements.

Under authorization of the Board, the VRS lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the VRS' 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 percent of the market value for domestic securities and 105 percent for international securities. Securities received as collateral cannot be pledged or sold by the VRS unless the borrower defaults. Contracts require the lending agents to indemnify the VRS 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 VRS 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 148 days. At year-end, the VRS has no credit risk exposure to borrowers because the amounts it owes the borrowers exceed the amounts the borrowers owe it. The market value of securities on loan at June 30, 2007, was \$6,329,913,000. The June 30, 2007, balance was composed of U.S. Government and agency securities of \$2,604,362,000, corporate and other bonds of \$409,177,349 and common and preferred stocks of \$3,316,373,957.

The value of collateral (cash and non-cash) at June 30, 2007, was \$6,530,930,000.

Securities on loan are included with investments on the statement of net assets. The invested cash collateral is included in the statement of net assets as an asset and corresponding liability.

As authorized by Section 2.2-4506 of the *Code of Virginia*, the Virginia Lottery, through its master custodian, JP Morgan Chase Bank, N.A., N.Y., and Dresdner Bank, AG – New York Branch, lends securities to various security brokers and lenders on a temporary basis for a fee. Up to 100 percent of the securities may be available for loan. Prior to or simultaneously with the Transfer of Securities to a counterparty, the Bank shall obtain collateral on the

Lottery's behalf. The principal amount of cash Collateral and the Market Value (at the time of delivery by the counterparty) of Collateral in the form of Securities shall, in each case, be no less than 100 percent of the aggregate Market Value of the Transferred Securities or the principal amount of such cash Collateral.

At June 30, 2007, the fair value of investment account securities on loan was \$321,002,808 secured by \$324,978,714 in cash deposits.

### **Derivative Financial Instruments**

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 (CMO), which are sensitive to changes in interest rates and prepayments. Futures, forwards, options, and swaps generally are not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

The VRS is a party, both 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. Credit risk is the possibility that loss may occur from the failure of a counterparty to perform according to the terms of the contract. Market risk arises from adverse changes in market prices, interest rates and foreign exchange rates that may result in a decrease in the market value of a financial investment or an increase in its funding cost, or both.

In addition to risk exposure from directly held derivative financial instruments, the VRS may have indirect exposure to risk through its ownership interests in commingled investment funds that use, hold, or write derivative financial instruments. Indirect exposure also may arise from stock lending programs in which the commingled funds participate. Such programs usually reinvest a portion of their cash collateral holdings in derivative instruments. The VRS' pro rata share of the contractual or notional amounts of outstanding derivative transactions in commingled investment funds and their related security lending programs approximated \$98,034,000 at June 30, 2007.

The Virginia Housing Development Authority (Authority) (major) manages its interest risk on a portion of loan commitments through short sales of investment securities. These transactions meet the requirements for hedge accounting as all hedged items are specifically identified, probable of occurring, and highly correlated to the hedging instrument. The gain or loss from hedging

transactions is recorded as an unamortized premium or discount and recognized as an adjustment to yield over the remaining life of the loan. The Authority periodically assesses correlation in order to determine the ongoing appropriateness of hedge accounting. During the year ended June 30, 2007, the Authority experienced a net loss of \$535,060 from hedging transactions settled during the year. At June 30, 2007, no short sales were outstanding. The Authority's policy is to make adjustments to interest rates of loans related to such hedging transactions to reflect the losses or gains on such hedging transactions.

The University of Virginia (major) from time to time may use, through its investments and through investments in pooled funds, a variety of derivative securities including futures, options, and forward foreign currency contracts. These financial instruments are used to modify market risk exposure. Futures contracts and options on futures contracts are traded on organized exchanges and require collateral or margin in the form of cash or marketable securities. The net change in the futures contract value, if any, is settled with a cash transaction on a daily basis. Holders of futures contracts look to the exchange for performance under the contract and not the entity holding the offsetting futures position. Accordingly, the amount of risk due to non-performance of counterparties to the futures contracts is minimal. Foreign exchange contracts are used to protect the University's portfolio against fluctuations in the values of foreign currencies. The credit risk of forward currency contracts traded over-the-counter lies with the counterparty. Asset swap contracts are privately negotiated agreements between two participants to exchange the return stream derived from their assets to each other without exchanging underlying assets. The University uses asset swaps to gain exposure to certain market sectors in lieu of direct investment. The credit risk lies with the intermediary who arranges the asset swap. The University had no direct exposure to derivative instruments at June 30, 2007.

### **Forward, Futures, and Options Contracts**

Forward contracts are contracts to purchase or sell, and futures contracts are contracts to deliver or receive financial instruments, foreign currencies or commodities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require 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. 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. In contrast, forward contracts traded over-the-counter are generally negotiated between two counterparties. They are subject to credit risks resulting from nonperformance of one of the counterparties and to market risks resulting from adverse fluctuations in market prices, interest rates, and foreign exchange rates.

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 or sell 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 VRS typically pays a premium at the outset. This premium is reflected as an asset on the financial statements. The VRS then retains the right but not the obligation to exercise the option 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 VRS receives a premium at the outset. The premium is reflected as a liability on the financial statements, and the VRS bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Forward, futures, and options contracts provide the VRS 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 are exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates, and foreign exchange rates. At June 30, 2007, the VRS had purchased S & P, Russell Index, Treasury bonds and notes and global indices futures and options with a notional value of \$7,564,225,000 and sold Treasury bonds and notes and global indices futures and options with a notional value of \$678,124,000. At June 30, 2007, the VRS had pledged as collateral U.S. Treasury and U.S. Government Agency securities with a total market value of \$1,018,385,000 as the margin requirement for futures contracts.

In addition to unsettled purchases and sales, accounts receivable and accounts payable for security transactions at June 30, 2007, included receivables for deposits with brokers for securities sold short of \$1,969,530,000 and payables for securities sold short and not covered with market values of \$1,960,937,000.

## **Foreign Exchange Contracts**

Foreign exchange contracts include forward, futures, and options contracts. They involve either the exchange of specific amounts of two currencies or the delivery of a fixed amount of a currency at a future date and specified exchange rate. Forward and futures contracts settle three or more business days from the contract date. Forward contracts are negotiated over-the-counter between two counterparties, while futures contracts are exchange-traded. Foreign currency options, which are either negotiated between two counterparties or are exchange-traded, grant the buyer the right, but not the obligation, to purchase or sell at a specified price, a stated amount of an underlying currency at a future date. At June 30, 2007, the VRS had sold foreign currency contracts with a notional value of \$9,498,313,000 and had purchased foreign currency contracts with a notional value of \$9,460,292,000.

Foreign exchange contracts are used by the VRS 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. 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 is usually 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.

## **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 indices. During fiscal year 2007, the VRS entered into interest rate and total return swaps with a total notional value of \$1,772,046,000. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty non-performance, the VRS generally requires collateral on any material gains from these transactions.

## 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, 2007:

	Accounts Receivable	Loans / Mortgage Receivable	Interest Receivable	Taxes Receivable	Prepaid Tuition Contributions Receivable
<b>Primary Government:</b>					
General	\$ 614,809	\$ 18	\$ 386,763	\$ 1,372,826	\$ -
Major Special Revenue Funds:					
Commonwealth Transportation	122,465	37,462	-	149,529	-
Federal Trust	380,265	235	-	-	-
Literary	199,755	320,918	16,675	-	-
Nonmajor Governmental Funds	161,231	-	6,781	2,982	-
Major Enterprise Funds:					
State Lottery	50,759	-	-	-	-
Virginia College Savings Plan	5,596	-	3,301	-	294,492
Unemployment Compensation	97,831	-	-	-	-
Nonmajor Enterprise Funds	36,896	-	-	-	-
Internal Service Funds	21,643	-	-	-	-
Private Purpose	-	82	1,058	-	-
Pension and Other Employee Benefit Trust	178,591	-	180,291	-	-
Investment Trust Fund	-	-	10,819	-	-
Agency Funds	333	-	-	207,728	-
<b>Total Primary Government (1)</b>	<b>\$ 1,870,174</b>	<b>\$ 358,715</b>	<b>\$ 605,688</b>	<b>\$ 1,733,065</b>	<b>\$ 294,492</b>
<b>Discrete Component Units:</b>					
Virginia Housing Development Authority (2)	\$ -	\$ 6,991,051	\$ 36,921	\$ -	\$ -
Virginia Public School Authority	-	-	64,812	-	-
University of Virginia	147,490	31,807	-	-	-
Virginia Polytechnic Institute and State University	49,324	30,438	1,097	-	-
Virginia Commonwealth University	229,497	26,359	339	-	-
Nonmajor Component Units	126,324	2,094,629	40,862	6,035	-
<b>Total Component Units</b>	<b>\$ 552,635</b>	<b>\$ 9,174,284</b>	<b>\$ 144,031</b>	<b>\$ 6,035</b>	<b>\$ -</b>

Note (1): Fiduciary net receivables in the amount of \$3,852,304 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Note (2): \$6,873,063 (dollars in thousands) is Restricted Loans Receivable, \$34,895 (dollars in thousands) is Restricted Interest Receivable, and \$15,308 (dollars in thousands) is Restricted Other Receivable.

## 8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for Foundations(1) included with the major component units, and aggregated nonmajor component units, as of June 30, 2007:

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
<b>Discrete Component Units:</b>							
University of Virginia	\$ 29,824	\$ 85,417	\$ 6,887	\$ 122,128	\$ (12,364)	\$ (7,981)	\$ 101,783
Virginia Polytechnic Institute & State University	25,635	40,583	4,520	70,738	(6,099)	(2,723)	61,916
Virginia Commonwealth University	14,257	24,447	2,426	41,130	(3,914)	(376)	36,840
Nonmajor Component Units	51,447	86,660	19,357	157,464	(15,828)	(5,230)	136,406
<b>Total Component Units</b>	<b>\$ 121,163</b>	<b>\$ 237,107</b>	<b>\$ 33,190</b>	<b>\$ 391,460</b>	<b>\$ (38,205)</b>	<b>\$ (16,310)</b>	<b>\$ 336,945</b>

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

Note (2): The discount rate used to determine present value ranges from 1.13 percent to 8.7 percent.



<u>Security Transactions</u>	<u>Other Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>	<u>Amounts to be Collected Greater than One Year</u>
\$ -	\$ -	\$ (1,416,016)	\$ 958,400	\$ 5,980
-	-	(3,379)	306,077	37,561
-	-	(10,372)	370,128	368
-	-	(193,767)	343,581	292,969
-	-	(89,301)	81,693	2,067
-	-	-	50,759	-
-	-	-	303,389	227,043
-	-	(18,618)	79,213	-
-	-	(1,078)	35,818	-
-	-	(111)	21,532	-
-	-	-	1,140	-
3,282,492	38,670	-	3,680,044	-
-	-	-	10,819	-
-	-	(47,760)	160,301	99
<u>\$ 3,282,492</u>	<u>\$ 38,670</u>	<u>\$ (1,780,402)</u>	<u>\$ 6,402,894</u>	<u>\$ 566,087</u>
\$ -	\$ 24,049	\$ -	\$ 7,052,021	\$ 6,873,934
-	-	-	64,812	64,810
-	41,656	(46,167)	174,786	46,140
-	162	(2,836)	78,185	36,723
-	17,538	(84,176)	189,557	19,187
-	71,520	(8,919)	2,330,451	2,062,726
<u>\$ -</u>	<u>\$ 154,925</u>	<u>\$ (142,098)</u>	<u>\$ 9,889,812</u>	<u>\$ 9,103,520</u>

**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.

Included in the category Due from Other Funds are "Due from Other Funds," "Due from Internal Parties (Governmental Funds and Business-type Activities)," and "Due from External Parties (Fiduciary Funds)." Included in the category Due to Other Funds are "Due to Other Funds," "Due to Internal Parties (Governmental Funds and Business-type Activities)," and "Due to External Parties (Fiduciary Funds)." The following schedule shows the Due from/to Other Funds as of June 30, 2007.

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

June 30, 2007

*(Dollars in Thousands)*

Due From	Amount	Due To	Amount
<b>Primary Government</b>		<b>Primary Government</b>	
General Fund	\$ 11,563	Major Enterprise Funds:	
		State Lottery	\$ 3,180
		Unemployment Compensation	274
		Nonmajor Enterprise Funds	7,668
		Internal Service Funds	441
Major Special Revenue Funds:			
Commonwealth Transportation	75	Internal Service Funds	75
Nonmajor Governmental Funds	7,323	Major Special Revenue Funds:	
		Commonwealth Transportation	7,103
		Major Enterprise Funds:	
		Unemployment Compensation	220
Major Enterprise Funds:			
Unemployment Compensation	461	General Fund	259
		Major Special Revenue Funds:	
		Commonwealth Transportation	67
		Federal Trust	54
		Nonmajor Governmental Funds	52
		Major Enterprise Funds:	
		State Lottery	3
		Nonmajor Enterprise Funds	19
		Internal Service Funds	7
Nonmajor Enterprise Funds	1,851	General Fund	472
		Major Special Revenue Funds:	
		Commonwealth Transportation	1,065
		Federal Trust	165
		Nonmajor Governmental Funds	112
		Nonmajor Enterprise Funds	6
		Internal Service Funds	31
Internal Service Funds	39,902	General Fund	18,208
		Major Special Revenue Funds:	
		Commonwealth Transportation	8,746
		Federal Trust	7,413
		Nonmajor Governmental Funds	4,412
		Major Enterprise Funds:	
		State Lottery	49
		Nonmajor Enterprise Funds	838
		Internal Service Funds	236
Total Primary Government	<u>\$ 61,175</u>	Total Primary Government	<u>\$ 61,175</u>



**Schedule of Due from/to Internal/External Parties**  
June 30, 2007

(Dollars in Thousands)

Due From	Amount	Due To	Amount
<b>Primary Government</b>		<b>Primary Government</b>	
General Fund	\$ 4	Investment Trust	\$ 4
Nonmajor Governmental Funds	74	Agency	74
Pension and Other Employee Benefit Trust	20,408	Pension and Other Employee Benefit Trust	20,408
Agency	17,999	Major Special Revenue Funds: Federal Trust	17,999
<b>Total Primary Government</b>	<b><u>\$ 38,485</u></b>	<b>Total Primary Government</b>	<b><u>\$ 38,485</u></b>

**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, 2007. There were no Interfund Receivables/Payables for the Component Units as of June 30, 2007.

**Interfund Receivables/Payables**  
June 30, 2007

(Dollars in Thousands)

Receivable From:	Amount	Payable To:	Amount
<b>Primary Government</b>		<b>Primary Government</b>	
Nonmajor Governmental Funds	\$ 69,365	Major Special Revenue Funds: Federal Trust	\$ 7,317
		Major Enterprise Funds: State Lottery Department	6,000
		Nonmajor Governmental Funds	8,329
		Nonmajor Enterprise Funds	35,358
		Internal Service	12,361
<b>Total</b>	<b><u>\$ 69,365</u></b>	<b>Total</b>	<b><u>\$ 69,365</u></b>

**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.

The following Due from Primary Government amounts represent general fund appropriation available amounts that are due from the General Fund: University of Virginia (Major Component Unit) - \$78.3 million, Virginia Polytechnic Institute and State University (Major Component Unit) - \$57.2 million, Virginia Commonwealth University (Major Component Unit) - \$22.8 million, Nonmajor Component Units - \$365.8

million. The General Fund reports \$24.4 million of the Due to Component Units in the governmental funds and the entire amount of \$524.1 million is reported in the government-wide financial statements.

The following Due from Primary Government amounts represent amounts due from the General Fund related to interest/rebate allocations: University of Virginia (Major Component Unit) - \$1.8 million, Virginia Polytechnic Institute and State University (Major Component Unit) - \$1.5 million, Virginia Commonwealth University (Major Component Unit) - \$1.7 million, Nonmajor Component Units - \$7.7 million.

The following Due from Primary Government amounts represent amounts due from Nonmajor Governmental Funds related to the Department of Treasury's reimbursement programs: University of Virginia (Major Component Unit) - \$0.5 million, Virginia Polytechnic Institute and State University (Major Component Unit) - \$5.0 million, Virginia Commonwealth University (Major Component Unit) - \$2.1 million, Nonmajor Component Units - \$17.1 million.

The following Due from Component Units amounts represent amounts due from the Virginia College Building Authority (Nonmajor Component Unit) related to the Department of Treasury's reimbursement programs: University of Virginia (Major Component Unit) - \$11.9 million, Virginia Polytechnic Institute and State University (Major Component Unit) - \$11.2 million, Virginia Commonwealth University (Major Component Unit) - \$18.1 million, Nonmajor Component Units - \$21.9 million. There is an additional Due to/from Component Units of \$0.2 million between Nonmajor Component Units.

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

The Virginia Commonwealth University (Major Component Unit) loan of \$4.0 million was used to fund programs until bonds were issued. The George Mason University (Nonmajor Component Unit) loan of \$10.5 million and the Virginia Community College System (Nonmajor Component Unit) loan of \$0.5 million were used to advance fund federally-funded grant programs.

The \$172.4 million in Loans Receivable from Primary Government represents loans from the Virginia Public School Authority (VPSA) to the Literary 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 Fund.

## 10. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2007:

*(Dollars in Thousands)*

	Cash and Travel Advances	Unamortized		Total Other Assets
		Bond Issuance Expense	Other Assets (1)	
<b>Primary Government:</b>				
General	\$ 1,461	\$ -	\$ -	\$ 1,461
Major Special Revenue Funds:				
Commonwealth Transportation	20,682	-	-	20,682
Federal Trust	1,583	-	-	1,583
Nonmajor Governmental Funds	694	-	118	812
Major Enterprise Funds:				
State Lottery	1	-	-	1
Nonmajor Enterprise Funds	166	-	213	379
Internal Service Funds	863	-	11,257	12,120
Total Primary Government	<u>\$ 25,450</u>	<u>\$ -</u>	<u>\$ 11,588</u>	<u>\$ 37,038</u>
<b>Discrete Component Units:</b>				
Virginia Housing Development Authority	\$ -	\$ 6,194	\$ 42,951	\$ 49,145
Virginia Public School Authority	-	-	9	9
University of Virginia	-	760	20,362	21,122
Virginia Polytechnic Institute and State University	-	768	4,860	5,628
Virginia Commonwealth University	275	6,244	11,743	18,262
Nonmajor Component Units	9,540	15,461	14,557	39,558
Total Component Units	<u>\$ 9,815</u>	<u>\$ 29,427</u>	<u>\$ 94,482</u>	<u>\$ 133,724</u>

Note (1): The \$11,257 (dollars in thousands) shown above represents a Virginia Information Technologies Agency interfund asset due from various governmental funds that will not be received within 60 days. This amount is reclassified to an internal balance on the Government-wide Statement of Net Assets.

## 11. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Commonwealth Transportation Fund (Major Special Revenue) and Debt Service and Capital Projects (Nonmajor Governmental Funds) reported \$396.0 million in restricted assets related to bond agreements. The Virginia Housing Development Authority (Major Component Unit) reported restricted assets totaling \$894.4 million. The Virginia Public School Authority (Major Component Unit) reported restricted assets of \$93.1 million. Both Major Component Unit's assets are restricted for debt service under a bond indenture agreement or other agreements. The Virginia Port Authority (Nonmajor Component Unit) reported restricted assets of \$140.6 million. Of this amount, \$70.3 million is assets placed in an escrow account for construction projects, \$42.6 million for debt service under a bond indenture agreement, \$2.2 million for securities lending transactions, and \$25.5 million reserved as part of the Port Facility Revenue Bond requirement. The Virginia Resources Authority (Nonmajor Component Unit) reported restricted assets of \$745.1 million. Of this amount, \$739.3 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and \$5.8 million is restricted for the Operating Reserve Fund for the Virginia Pooled

Financing Program. The Tobacco Indemnification and Community Revitalization Commission (Nonmajor Component Unit) reported restricted assets of \$363.9 million to be used for financial aid to tobacco growers and to foster community economic growth.

The Higher Education Institutions (Component Units) reported restricted assets totaling approximately \$3.9 billion primarily for endowment and other contractual obligations. Included in this amount is approximately \$3.0 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 \$222.8 million and \$12.9 million, respectively, primarily for donor-imposed restricted endowments.

The remaining \$27.2 million is spread among the Virginia Outdoors Foundation (Nonmajor Component Unit) Hampton Roads Sanitation District Commission (Nonmajor Component Unit), the Virginia Horse Center Foundation (Nonmajor Component Unit), the Small Business Financing Authority (Nonmajor Component Unit), the Library of Virginia Foundation (Nonmajor Component Unit) and the Danville Science Center (Nonmajor Component Unit).

## 12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets:

Schedule of Changes in Capital Assets

Governmental Activities

(Dollars in Thousands)

	Balance			Balance June 30
	July 1, as restated	Increases	Decreases	
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 1,757,641	\$ 129,690	\$ (33,964)	\$ 1,853,367
Construction in Progress	2,868,967	1,432,410	(1,408,056)	2,893,321
Total Nondepreciable Capital Assets	<u>4,626,608</u>	<u>1,562,100</u>	<u>(1,442,020)</u>	<u>4,746,688</u>
<b>Depreciable Capital Assets:</b>				
Buildings	2,271,381	238,533	(7,011)	2,502,903
Equipment	775,864	101,905	(18,851)	858,918
Infrastructure	18,910,064	1,343,213	(983,007)	19,270,270
Total Capital Assets being Depreciated	<u>21,957,309</u>	<u>1,683,651</u>	<u>(1,008,869)</u>	<u>22,632,091</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	843,474	60,973	(6,278)	898,169
Equipment	370,287	69,766	(14,655)	425,398
Infrastructure	9,113,677	471,033	(677,467)	8,907,243
Total Accumulated Depreciation	<u>10,327,438</u>	<u>601,772</u>	<u>(698,400)</u>	<u>10,230,810</u>
Total Depreciable Capital Assets, Net	<u>11,629,871</u>	<u>1,081,879</u>	<u>(310,469)</u>	<u>12,401,281</u>
Total Capital Assets, Net	<u>\$ 16,256,479</u>	<u>\$ 2,643,979</u>	<u>\$ (1,752,489)</u>	<u>\$ 17,147,969</u>

Note: Beginning balances have been restated by \$138,221 (dollars in thousands) due to prior year errors, as discussed in Note 2.

**Depreciation Expense Charged to Functions of the Primary Government**  
June 30, 2007

*(Dollars in Thousands)*

Governmental Activities:	
General Government	\$ 14,169
Education	8,345
Transportation	500,248
Resources and Economic Development	5,504
Individual and Family Services	13,045
Administration of Justice	35,836
Capital Assets held by the Internal Service	
Funds are charged to various functions	24,625
Total	<u>\$ 601,772</u>

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

*(Dollars in Thousands)*

	<u>Balance</u> <u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30</u>
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 1,977	\$ -	\$ -	\$ 1,977
Construction in Progress	361	379	-	740
Total Nondepreciable Capital Assets	<u>2,338</u>	<u>379</u>	<u>-</u>	<u>2,717</u>
<b>Depreciable Capital Assets:</b>				
Buildings	17,065	-	-	17,065
Equipment	86,366	2,253	(759)	87,860
Infrastructure	1	-	-	1
Total Capital Assets being Depreciated	<u>103,432</u>	<u>2,253</u>	<u>(759)</u>	<u>104,926</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	10,270	158	-	10,428
Equipment	57,211	8,282	(723)	64,770
Infrastructure	1	-	-	1
Total Accumulated Depreciation	<u>67,482</u>	<u>8,440</u>	<u>(723)</u>	<u>75,199</u>
Total Depreciable Capital Assets, Net	<u>35,950</u>	<u>(6,187)</u>	<u>(36)</u>	<u>29,727</u>
Total Capital Assets, Net	<u>\$ 38,288</u>	<u>\$ (5,808)</u>	<u>\$ (36)</u>	<u>\$ 32,444</u>

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

(Dollars in Thousands)

	Balance July 1	Increases	Decreases	Subtotal June 30	Foundations (1)	Total June 30
<b>Nondepreciable Capital Assets:</b>						
Land	\$ 381,677	\$ 28,574	\$ (4,674)	\$ 405,577	\$ 165,929	\$ 571,506
Construction in Progress	1,132,558	1,065,374	(842,716)	1,355,216	72,962	1,428,178
Inexhaustible Works of Art / Historical Treasures	71,399	412	-	71,811	13,626	85,437
Livestock	807	-	(106)	701	2,490	3,191
Total Nondepreciable Capital Assets	<u>1,586,441</u>	<u>1,094,360</u>	<u>(847,496)</u>	<u>1,833,305</u>	<u>255,007</u>	<u>2,088,312</u>
<b>Depreciable Capital Assets:</b>						
Buildings	5,954,107	770,404	(60,196)	6,664,315	713,303	7,377,618
Infrastructure	1,648,031	157,866	(928)	1,804,969	-	1,804,969
Equipment	2,214,168	284,520	(218,278)	2,280,410	98,663	2,379,073
Improvements Other Than Buildings	328,352	22,841	(2,196)	348,997	46,726	395,723
Library Books	608,006	34,497	(5,150)	637,353	-	637,353
Total Capital Assets being Depreciated	<u>10,752,664</u>	<u>1,270,128</u>	<u>(286,748)</u>	<u>11,736,044</u>	<u>858,692</u>	<u>12,594,736</u>
<b>Less Accumulated Depreciation for:</b>						
Buildings	2,186,263	187,746	(46,906)	2,327,103	143,599	2,470,702
Infrastructure	867,110	51,065	(623)	917,552	-	917,552
Equipment	1,367,833	191,217	(188,403)	1,370,647	66,730	1,437,377
Improvements Other Than Buildings	159,270	16,090	(1,388)	173,972	15,318	189,290
Library Books	488,441	29,451	(5,150)	512,742	-	512,742
Total Accumulated Depreciation	<u>5,068,917</u>	<u>475,569</u>	<u>(242,470)</u>	<u>5,302,016</u>	<u>225,647</u>	<u>5,527,663</u>
Total Depreciable Capital Assets, Net	<u>5,683,747</u>	<u>794,559</u>	<u>(44,278)</u>	<u>6,434,028</u>	<u>633,045</u>	<u>7,067,073</u>
Total Capital Assets, Net	<u>\$ 7,270,188</u>	<u>\$ 1,888,919</u>	<u>\$ (891,774)</u>	<u>\$ 8,267,333</u>	<u>\$ 888,052</u>	<u>\$ 9,155,385</u>

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

### 13. 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. Plan Description

The Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer retirement plan, provides defined benefit pension plan coverage for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The assets accumulated by the plan may legally be used to pay all benefits provided by the plan to any of the plan members or beneficiaries. At June 30, 2007, the VRS had 814 contributing employers. The State Police Officers' Retirement System (SPORS), the Judicial Retirement System (JRS), and the Virginia Law Officers' Retirement System (VaLORS) are single-employer defined benefit retirement plans. The SPORS provides retirement benefits to Virginia state police officers, the JRS provides retirement benefits to the Commonwealth's judiciary, and the

VaLORS provides benefits to law enforcement and correctional officers other than state police officers. All retirement systems are administered by the VRS, an independent agency of the Commonwealth.

Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*. All full-time, salaried, permanent employees of the Commonwealth, with the exception of certain full-time faculty and administrative staff of higher education institutions and eligible employees of the Commonwealth's teaching hospitals who have the option not to participate in the VRS, must participate in the VRS, SPORS, JRS, or VaLORS. Benefits vest after five years of service.

Employees are eligible for an unreduced retirement benefit at age 65 with five years of service credit (age 60 for employees of participating political subdivisions) or at age 50 with at least 30 years of service credit if elected by the employer (age 50 with at least 25 years of service credit for employees of participating political subdivisions). Employees may retire with a reduced benefit at age 50 with at least ten years of service credit or at age 55 (age 50 for employees of participating political

subdivisions) with at least five years of service credit.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for unreduced retirement benefits. Members of the SPORS and VaLORS may receive a monthly benefit supplement if they retire prior to age 65. Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 percent to 2.0 percent instead of receiving the supplement. Members of VaLORS hired after June 30, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement. Members of the JRS receive weighted years of service credit for each year of actual service under JRS. The VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. These benefit provisions and all other requirements are established by State statute.

## **B. Summary of Significant Accounting Policies**

### **Basis of Accounting**

The financial statements of the pension and other employee benefit trust funds are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 pension plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

### **Method Used to Value Investment**

Investments are reported at fair value as determined by the VRS master custodian, Mellon Trust, from its Global Pricing System. This 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.

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, adjustable rate mortgages, and asset-backed securities are priced either 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.

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 retirement plans have no concentrations of investments in any one organization that represent 5 percent or more of plan net assets available for benefits.

## **C. Funding Policy**

Employer and employee contributions are required by Title 51.1 of the *Code of Virginia*. The Commonwealth pays the 5 percent of employees' annual salaries that employees are required to contribute to the retirement system.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2005. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 5.74 percent, 16.71 percent, 14.96 percent, and 36.47 percent, respectively, of covered payrolls.

#### D. Annual Pension Cost and Net Pension Obligation

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

	VRS			SPORS		
	2007	2006	2005	2007	2006	2005
Annual required contribution	\$ 294,388	\$ 166,975	\$ 156,313	\$ 25,488	\$ 27,939	\$ 25,891
Interest on net pension obligation	47,378	46,853	43,427	5,915	5,259	4,326
Adjustment to annual required contribution	<u>(48,915)</u>	<u>(42,825)</u>	<u>(39,694)</u>	<u>(6,085)</u>	<u>(4,807)</u>	<u>(3,945)</u>
Annual pension cost	292,851	171,003	160,046	25,318	28,391	26,272
Contributions made	<u>(192,360)</u>	<u>(124,789)</u>	<u>(117,225)</u>	<u>(16,358)</u>	<u>(15,258)</u>	<u>(14,475)</u>
Increase in net pension obligation	100,491	46,214	42,821	8,960	13,133	11,797
Net pension obligation, beginning of year	<u>631,875</u>	<u>585,661</u>	<u>542,840</u>	<u>78,871</u>	<u>65,738</u>	<u>53,941</u>
Net pension obligation, end of year	<u>\$ 732,366</u>	<u>\$ 631,875</u>	<u>\$ 585,661</u>	<u>\$ 87,831</u>	<u>\$ 78,871</u>	<u>\$ 65,738</u>
Percentage of annual pension cost contributed	65.7%	73.0%	73.2%	64.6%	53.7%	55.1%

	JRS			VaLORS		
	2007	2006	2005	2007	2006	2005
Annual required contribution	\$ 26,768	\$ 27,048	\$ 24,943	\$ 72,460	\$ 90,011	\$ 84,353
Interest on net pension obligation	4,094	3,476	2,683	15,814	13,782	10,997
Adjustment to annual required contribution	<u>(4,211)</u>	<u>(3,177)</u>	<u>(2,452)</u>	<u>(16,270)</u>	<u>(12,597)</u>	<u>(10,052)</u>
Annual pension cost	26,651	27,347	25,174	72,004	91,196	85,298
Contributions made	<u>(20,530)</u>	<u>(16,206)</u>	<u>(15,269)</u>	<u>(48,338)</u>	<u>(52,610)</u>	<u>(50,495)</u>
Increase in net pension obligation	6,121	11,141	9,905	23,666	38,586	34,803
Net pension obligation, beginning of year	<u>54,585</u>	<u>43,444</u>	<u>33,539</u>	<u>210,856</u>	<u>172,270</u>	<u>137,467</u>
Net pension obligation, end of year	<u>\$ 60,706</u>	<u>\$ 54,585</u>	<u>\$ 43,444</u>	<u>\$ 234,522</u>	<u>\$ 210,856</u>	<u>\$ 172,270</u>
Percentage of annual pension cost contributed	77.0%	59.3%	60.7%	67.1%	57.7%	59.2%

The amounts in the table above include Governmental and Component Unit activity for which the Commonwealth is considered the employer. The VRS pension liability for the Virginia Economic Development Partnership (VEDP) (Component Unit), the Virginia Tourism Authority (VTA) (Component Unit), the Virginia Outdoors Foundation (VOF) (Component Unit), and the Virginia National Defense Industrial Authority (VNDIA) (Component Unit) are reported in the financial statements. However, since the Commonwealth is not considered the employer for VEDP, VTA, VOF, or VNDIA, the Commonwealth's net pension obligation shown above at the end of the year does not include VEDP's pension liability of \$1.6 million, VTA's pension liability of \$790,466, or VNDIA's pension liability of \$44,766. The VOF had no pension liability at June 30, 2007.

The most recent actuarial valuations were conducted as of June 30, 2005. The valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 5.60 percent, including a 2.50 percent inflation component; and (c) 2.50 percent per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining closed amortization period at June 30, 2007, was 21 years.



**E. 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 Great West Company. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's (5.74 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, 2007, the total contributions to this plan were \$823,573.

The summary of significant accounting policies for the plan is in accordance with those discussed in Note 13. B.

**F. 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 VRS 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, 2007, there was one participant in this plan.

**G. Virginia Supplemental Retirement Plan**

The Virginia Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the VRS 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, 2007, there were three participants in this plan.

**H. Higher Education Fund (Component Unit)**

The Commonwealth's colleges and universities participate in the VRS, a mixed agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in an optional retirement annuity program, rather than the VRS. Optional Retirement Plans are authorized by the *Code of Virginia* and provide retirement and death benefits. The optional retirement annuity programs are offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, Variable Annuity Life Insurance Company (VALIC), Fidelity Investments, Inc., Great West Life, Inc., and Vanguard. Overall, these are defined contribution programs where the retirement benefits received are based upon the Commonwealth's (5.4 percent) and employees' (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2007, the total contributions to these plans were:

TIAA-CREF	\$	84,323,425
VALIC		2,569,499
Fidelity Investments		39,358,105
Great West Life		96,466
Vanguard		3,026,670
Total	\$	<u>129,374,165</u>

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – Major) contributes to the VRS. The VRS issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the Plan). All employees, excluding house staff, working at least 20 hours per week in a benefit eligible position are eligible to participate in the Plan. Per the Plan document as approved by the Authority's Board of Directors, the Authority contributes up to 10.0 percent of the participant's salary to the Plan not to exceed the lesser of (a) the amount in accordance with Internal Revenue Code 415(d), or (b) 100 percent of the participant's compensation for such limitation year. Total contributions for the year ended June 30, 2007, were approximately \$10,490,000. The Authority has the right at anytime, and without the consent of any party, to terminate the Plan in its entirety. The Authority's Board of Directors must approve any changes to the provisions of the Plan, including the contribution



requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP Plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week were eligible to participate in the HCP Plan. At June 30, 2007, there were six actively employed participants in the HCP Plan. Total contributions to the HCP Plan for the year ended June 30, 2007, were approximately \$30,400.

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

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) Plan), a noncontributory, defined contribution plan which covers substantially all benefit eligible clinical providers of MCVAP. Contributions to the 401(a) Plan, as determined annually at the discretion of the Board of Directors were approximately \$6,923,000 for the year ended June 30, 2007.

MCVAP also sponsors the VCUHS 401(a) Retirement Plan a defined contribution plan which covers all non-medical employees of MCVAP and the VCUHS 457(b) Retirement Plan, a salary reduction plan that represents employee contributions. These plans became effective on January 1, 2002, and replaced the MCVAP 403 (b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2007, were approximately \$1,570,000.

VA Premier (a Component Unit of the Authority) adopted a 401(k) plan sponsored by Prudential Mutual Fund Management, Inc. Employees may enter into the plan on the first day of the month coinciding with or following the date on which the employee begins employment. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute 1 percent to 15 percent of their compensation. VA Premier will match 50 percent of the employees' contributions up to 4 percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes 3 percent of the employee's compensation after each bi-weekly payroll effective when the employee begins employment. Employees are fully vested after four years of service in which the employees have at least 1,000 hours of service each year. The total expense to VA Premier in fiscal year 2007 was approximately \$669,000.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 128 faculty members have elected to enroll in the plan. As of June 30, 2007, 39 participants remain, including eleven new participants who retired under this plan during fiscal year 2007. In order to satisfy IRS requirements, a trust fund has been established as a means to make the payments to the plan participants. The University prepaid the entire fiscal year 2008-plan contribution of \$902,422 in 2007.

The Center for Innovative Technology (CIT) is a blended component unit of the Innovative Technology Authority (nonmajor). The CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Pension contributions for the plan totaled \$477,494 in fiscal year 2007.

#### **I. Other Component Units**

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

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to 8.0 percent of full-time employees' compensation. Total retirement savings expense under this plan was \$1,549,445 in fiscal year 2007.

The Virginia Outdoors Foundation (nonmajor) contributes to the VRS. The Foundation also maintains a simple defined contribution plan and provides an employer contribution to all eligible employees of 2 percent of their salary. Employees can contribute to the plan up to the IRS limit, but the Foundation offers no matching.

The Virginia Port Authority (nonmajor) contributes to the VRS. The Authority also sponsors two single-employer noncontributory defined benefit pension plans. The Virginia Port Authority Pension Plans are administered by the Authority and provide retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the Board of Commissioners of the Authority. The plan was restated October 1, 2001, to ensure compliance with additional regulations.

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

#### Trend Information

	2007	2006	2005
Service cost - benefits earned during the year	\$ 2,036,800	\$ 1,801,800	\$ 1,642,100
Interest cost on projected benefit obligation	3,316,900	2,903,200	2,653,000
Expected return on assets	(3,729,500)	(3,213,200)	(2,972,100)
Net amortization and deferral	941,500	709,500	643,600
Annual pension cost	2,565,700	2,201,300	1,966,600
Contributions made	(2,634,600)	(4,216,500)	(1,104,900)
Increase in prepaid pension obligation	(68,900)	(2,015,200)	861,700
Prepaid pension obligation, beginning of year	(9,321,300)	(7,306,100)	(8,167,800)
Prepaid pension obligation, end of year	<u>\$ (9,390,200)</u>	<u>\$ (9,321,300)</u>	<u>\$ (7,306,100)</u>

The annual pension cost for the current year was determined as part of the October 2006, actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. The discount rate used in determining the actuarial present value of projected benefit obligation was 6.75 percent in fiscal year 2007, 6.75 percent in fiscal year 2006, and 6.75 percent in fiscal year 2005. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.00 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2007, 2006, and 2005.

#### Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2007	\$ 2,565,700	103 %	\$ (9,390,200)
2006	\$ 2,201,300	192 %	\$ (9,321,300)
2005	\$ 1,966,600	56 %	\$ (7,306,100)

In November 2001, the second plan was amended to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Enforcement Officers Retirement System. The effect of those changes is included in the accompanying pension data.

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

<b>Trend Information</b>			
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Service cost - benefits earned during the year	\$ 532,378	\$ 514,545	\$ 329,902
Interest cost on projected benefit obligation	299,507	223,047	157,419
Expected return on assets	(434,736)	(165,669)	(107,220)
Net amortization and deferral	<u>387,386</u>	<u>191,195</u>	<u>83,198</u>
Annual pension cost	784,535	763,118	463,299
Contributions made	(1,654,371)	(896,505)	(506,915)
Additional minimum liability	<u>(1,402,080)</u>	<u>(126,285)</u>	<u>945,384</u>
Increase in pension obligation	(2,271,916)	(259,672)	901,768
Pension obligation, beginning of year	1,144,113	1,403,785	502,017
Pension obligation, end of year	<u>\$ (1,127,803)</u>	<u>\$ 1,144,113</u>	<u>\$ 1,403,785</u>

The annual pension cost for the current year was determined as part of the August 2007 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Actual value of assets was determined using market value. The discount rate used in determining the actuarial present value of the projected benefit obligation was 6.25 percent in 2007, 6.25 percent in 2006, and 5.25 percent in 2005. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.00 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2007, 2006, and 2005.

<b>Trend Information</b>			
<b>Fiscal Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Prepaid Pension Obligation</b>
2007	\$ 784,535	211 %	\$ (1,127,803)
2006	\$ 763,118	117 %	\$ 1,144,113
2005	\$ 463,299	109 %	\$ 1,403,785

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The plans had assets of \$2,453,128 and an accrued liability of \$4,420,115. Contributions to the plans were \$132,358 for the year ended June 30, 2007.

As of January 1, 2005, the Virginia Resources Authority began mandatory participation for all new employees and optional participation for then-current employees who chose to enroll in the VRS. The Authority continues to sponsor a retirement savings plan for the employees noted above who elected to defer participation in the VRS, whereby 12 percent of eligible employees' salary is contributed on an annual basis. For the year ended June 30, 2007, the Authority's annual pension cost of \$62,904 was equal to the Authority's required and actual contributions.

The Virginia Horse Center Foundation has a defined contribution plan which covers all full-time employees of the Foundation who have one year of service and are age 21 or older. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the plan are discretionary and the Foundation will determine the amount to contribute to the plan each year. No contributions were made on behalf of the employees for the fiscal year ended June 30, 2007. As of July 1, 2006, employees were able to make contributions to the plan, however, the contributions are not matched by the Foundation.

The Assistive Technology Loan Fund Authority sponsors a Simple Employee Plan (SEP) for all of its employees. The Authority contributes 5 percent of each employee's wages, which is paid into their account managed by American Funds each pay period.

Employees of the Virginia Museum of Fine Arts Foundation who are age 21 or older are eligible to participate in the Employee's Savings Plan (the Plan), a 401(k) defined contribution profit sharing plan. Under the Plan, the Foundation may make a discretionary contribution. For the plan years ended June 30, 2007, and 2006, the Foundation contributed 7 percent of employees' gross income to the Plan. In addition, contributions made by an employee up to 4 percent of the employee's gross income are matched 50 percent by the Foundation. Employees may contribute up to 100 percent of gross income each year as long as it is within the IRS limitation. Contributions paid to the Plan by the Foundation on behalf of its employees were \$70,939 for the fiscal year ended June 30, 2007.

The Science Museum of Virginia Foundation has a 403(b) defined contribution pension plan and a 537 plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) Retirement Plan for employees meeting age and service requirements. The Foundation contributes an amount not to exceed 3 percent of the regular salary of each participant. The Foundation's employer contributions totaled \$7,363 to the 403 (b) and \$15,000 to the 537 plan in 2007. In addition, the Belmont Bay Science Center Foundation also participates in the Science Museum of Virginia Foundation's 403(b) defined contribution pension plan. The Foundation contributed \$3,433 during 2007.

#### 14. OTHER EMPLOYMENT BENEFITS

In addition to the pension plan, the Commonwealth participates in two other employment benefit plans, Group Life Insurance and Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (VRS). The VRS 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 13 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 provides life insurance benefits for Commonwealth employees, teachers,

employees of political subdivisions participating in the VRS, State police officers, judges, and other qualifying employees. In fiscal year 2007 there were approximately 355,046 Commonwealth employees and 122,947 retirees in the program.

As part of this plan, the Commonwealth provides life insurance benefits for retired employees in accordance with Title 51.1 of the *Code of Virginia*. To be eligible, the employee must have retired or terminated employment after age 50 and have had at least ten years of service (including five years of continuous service) or at age 55 and have had five years of continuous service (age 50 for participating law enforcement officers, firefighters of political subdivisions, and judges) or retired because of disability. At retirement or termination, natural death coverage starts to reduce by 25 percent each year until coverage reaches 25 percent of its value at retirement or termination.

Postemployment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method. Rates were determined in a June 30, 2005, actuarial valuation using the same actuarial assumptions used for determining pension plan contribution rates. The modified market value of plan assets was used for valuation purposes. Retirees are not required to contribute to the group life plan. The Commonwealth's actuarially required contribution rate for the current year was 1.13 percent of payroll. This contribution covers premiums for active employees and actual death claims for retirees.

The accrued liabilities for postemployment death benefits actuarially determined through an actuarial valuation performed as of June 30, 2005, were \$1,435.7 million. The actuarial value of the program's assets available for benefits on that date was \$751.4 million, leaving a present value of future contributions of \$684.3 million.

##### Virginia Sickness and Disability Program

The VRS administers the Virginia Sickness and Disability Program (VSDP) to provide income protection for absences due to sickness or disability from the first day on the job. After a seven calendar-day waiting period following the first incident of disability, eligible employees receive short-term disability benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 work days, based upon months of Commonwealth service. After a 180 calendar-day waiting period (125 work days of short-term disability), eligible employees receive long-term disability benefits equal to 60 percent of compensation until they return to work, until age 65 (age 60 for State police officers), or until death.

The VSDP was established on January 1, 1999, for full-time, classified Commonwealth employees, including State police officers and other State law enforcement and corrections officers, hired on or after January 1, 1999. Part-time, classified employees who work at least 20 hours a week on a salaried basis and who accrue leave are also covered. Eligible Commonwealth

employees and State police officers of the Commonwealth employed prior to January 1, 1999, had the option to elect to participate in the VSDP or to remain in the Commonwealth's existing disability retirement and sick leave program (see Notes 13 and 19). Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers Retirement System (VaLORS).

Faculty of Virginia institutions of higher education hired or appointed on or after January 1, 1999, who elected the VRS as their retirement plan, must make an irrevocable election to participate in the VSDP or in the institution's disability program. If there is no institution program, the faculty is automatically covered under this program.

All Commonwealth agencies are required to contribute to the cost of providing long-term disability benefits. Initial contribution requirements to fund the program were determined by the VRS actuary based on an estimate of the amount of the liability for disability benefits that would transfer from the VRS and SPORS to the VSDP for the anticipated new participants in the VSDP. This contribution requirement was 1.78 percent of payroll for Commonwealth employees, State police officers and VaLORS employees during the fiscal year. The Commonwealth recognized long-term disability expenses of \$33.3 million during the fiscal year. As of June 30, 2007, there were approximately 72,165 participants.

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

Volunteer firefighters and rescue squad workers may participate in an optional postemployment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the VRS 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 twenty years. For fiscal year 2007, \$78,000 was appropriated. At June 30, 2007, there were 1,284 workers participating in the Fund.

### **15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The Government Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which requires additional reporting and disclosures for OPEB plans. The statement became effective for VRS-administered OPEB plans beginning with the fiscal year ended June 30, 2007. The assets and actuarial accrued liabilities for the VRS-administered OPEB plans were determined through an actuarial valuation performed as of June 30, 2006, by Wachovia Retirement Services, and are presented in the Schedule of Funding Progress – Other Post-Employment Benefits.

The first actuarial valuation was prepared in 2006 using the required parameters of GASB Statement No. 43. There is no Schedule of Employer Contributions included in this report since the first contributions paid based on the valuation using the GASB Statement No. 43 parameters did not occur until fiscal year 2008. These results will be included in the fiscal year 2008 CAFR and Schedule of Employer Contributions.

#### **Life Insurance Benefits**

Employees who retire or terminate from service after age 50 with at least 10 years of service or at age 55 with at least five years of service (age 50 for 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 post-employment life insurance benefits. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25 percent on January 1 of the first full year following retirement or termination and each year thereafter, until it reaches 25 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia* (1950), as amended. There were approximately 122,947 retirees in the program in fiscal year 2007.

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 Fund was established on January 1, 1990, and provides 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 maximum 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 benefits for retired teachers and employees of participating political subdivisions with at least 15 years of service credit under the retirement plans. Retired teachers may receive a monthly credit ranging from \$75 to \$105, and local government retirees may receive a maximum credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia* (1950), as amended. The amount required to fund all credits is financed on a current disbursement



basis by the employers based on contribution rates determined by the System's actuary. Approximately 76,119 retired members were covered under this program at June 30, 2007.

#### **Virginia Sickness and Disability Program**

The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. There were approximately 2,178 former members receiving benefits from the program during fiscal year 2007.

#### **Pre-Retiree Medicare Retiree Healthcare**

The Commonwealth provides a healthcare plan for retirees who are not yet eligible to participate in Medicare. An irrevocable trust fund was established on July 1, 2007, to account for the activity related to this plan. As such, no OPEB disclosures are available for this plan as of June 30, 2007.

#### **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. An irrevocable trust fund was established on July 1, 2007, to account for the activity related to this plan. As such, no OPEB disclosures are available for this plan as of June 30, 2007.

Refer to Note 39 for additional information regarding the Commonwealth's OPEB plans.

### **16. DEFERRED COMPENSATION PLANS**

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Virginia Retirement System (VRS) 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 VRS 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, and record keeping associated with State employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the VRS 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, or unforeseeable emergency. Since the VRS has no fiduciary relationship

with plan participants, plan assets of \$1,055.4 million 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 who have been employed at least one year. The match amount for an employee was established at 50 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, 2007, was \$138.7 million, which is also excluded from the financial statements.

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

The 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 VRS as discussed above. The VPA deferred compensation plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority's deferred compensation plan. 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 50 percent of the first 6 percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was \$145,962 for the fiscal year ended June 30, 2007. Further, the right 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 nonunion employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to 50 percent of the first 3 percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was \$319,336 for the fiscal year ended June 30, 2007.

The Hampton Road Sanitation District's (the District) Commission adopted a post-retirement health benefit for qualifying employees beginning after July 1, 2002. The program 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 Virginia Retirement System. The program allows the retiree at their expense to cover their spouse and dependent under the District's health care provider. The District began funding the estimated prior service cost in a separate trust established for this purpose from the sale of land and additional designated revenue. For the year ended June 30, 2007, the estimated ongoing annual required contribution is approximately \$1,245,000, and is funded through operations and the sale of land. The fair market value of the Trust as of June 30, 2007, was \$11,156,000. The estimated unfunded actuarial accrued liability at June 30, 2006, the date of the most recent evaluation, was \$12,431,000.

## **17. 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, a money market mutual fund registered with the Securities and Exchange Commission, is a series of the Commonwealth Cash Reserve Fund, Inc., a diversified, open-end management investment company (Corporation). Shares of the SNAP Fund are solely available to investors participating in the SNAP program. The Corporation's Board of Directors 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 \$2.7 billion are not included in the financial statements.

## **18. COMMITMENTS**

### **A. Construction Projects**

#### **Highway Projects**

At June 30, 2007, the Department of Transportation (part of Primary Government) had contractual commitments of approximately \$1.4 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) Federal Funds – approximately 33.4 percent or \$480.4 million, (2) State Funds – approximately 63.0 percent or \$908.1 million, and (3) Proceeds from Bonds – approximately 3.6 percent or \$51.5 million.

#### **Mass Transit Projects**

At June 30, 2007, the Department of Rail and Public Transportation (part of Primary Government) had contractual commitments of approximately \$141.7 million for various public transportation, rail preservation, and rail enhancement projects. Funding of the future expenditures is expected to be as follows: (1) State Funds – approximately 78 percent or \$110.2 million, and (2) Federal Funds – approximately 22 percent or \$31.5 million.

#### **Port Projects**

At June 30, 2007, the Virginia Port Authority (Nonmajor Component Unit) was committed to construction contracts totaling \$253.6 million.

#### **Sanitation District Project**

At June 30, 2007, the Hampton Roads Sanitation District Commission (Nonmajor Component Unit) was committed to construction programs totaling \$19.9 million.

#### **Virginia Economic Development Partnership**

At June 30, 2007, the Virginia Economic Development Partnership (Nonmajor Component Unit) had \$1 million in commitments to the Pulaski County Industrial Development Authority to fund construction and development costs for the New River Valley Center of Excellence for worker training and retraining.

#### **Higher Education Institutions**

Colleges and universities (Component Units) had contractual commitments as of June 30, 2007, of approximately \$691.5 million primarily for construction contracts. Higher Education Foundations' commitments total approximately \$27.2 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, 2007, was \$72.8 million for governmental activities (including Internal Service Funds) and \$18.0 million for business-type activities. Rental expense for the discrete component units (excluding Foundations) for the year ended June 30, 2007, was \$90.1 million. The Commonwealth has, as of June 30, 2007, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		Component Units (1)
	Governmental Activities	Business-type Activities	
2008	\$ 54,685	\$ 15,753	\$ 61,061
2009	41,392	12,187	51,648
2010	31,937	9,831	44,113
2011	24,877	7,206	32,291
2012	20,586	3,259	21,665
2013-2017	53,853	2,224	53,782
2018-2022	6,126	-	19,232
2023-2027	189	-	2,545
2028-2032	43	-	823
2033-2037	20	-	823
2038-2042	20	-	823
2043-2047	20	-	823
2048-2052	12	-	424
Total	<u>\$ 233,760</u>	<u>\$ 50,460</u>	<u>\$ 290,053</u>

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

	Foundations (2)	
2008	\$	1,901
2009		1,316
2010		1,181
2011		871
2012		958
Thereafter		2,902
Total	<u>\$</u>	<u>9,129</u>

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2007, was approximately \$1.7 million.

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.

**C. Information Technology Infrastructure Partnership – Northrop Grumman**

On July 1, 2006, the Virginia Information Technologies Agency (VITA) entered into an Information Technology (IT) Infrastructure Partnership with Northrop Grumman. Under this public-private partnership, Northrop Grumman assumed responsibility for service delivery of the Commonwealth's IT infrastructure needs under the supervision of VITA. As part of the restructuring, approximately 550 VITA employees transferred employment to Northrop Grumman. VITA will make payments to Northrop Grumman totaling \$1.9 billion over the next nine fiscal years.

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

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2007, amounted to \$4.3 billion.

**E. Tobacco Grants**

The Tobacco Indemnification and Community Revitalization Commission (Commission) (Nonmajor Component Unit) has \$75.1 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2007, in accordance with GASB Statement No. 33. The Commission awarded an additional \$9.8 million in grants in July 2007 that are also not reflected in these statements.

The Virginia Tobacco Settlement Foundation (Nonmajor Component Unit) has \$16.0 million in grant commitments and outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2007, in accordance with GASB Statement No. 33.

**F. Other Commitments**

The Virginia Land Conservation Foundation (Nonmajor Component Unit) has \$5.2 million in grant award commitments, which were not dispersed since eligibility requirements were not met as of June 30, 2007.

**19. 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. 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.



All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 14). 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 their 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.

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated annual and sick leave and disability credits payable upon termination is included in the accompanying financial statements. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, amounts are segregated into two components – the amount due within one year and the amount due in more than one year. 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 for separations that occurred prior to June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Assets (see Note 23). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2007, was computed using salary rates effective at that date, and represents vacation, compensatory and sick leave earned or disability credits held up to the allowable ceilings.

## 20. 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, 2007, \$90.7 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.T. Changes in the balances of claims liabilities (dollars

in thousands) during the current and prior fiscal years are as follows:

	<u>Balance</u>	<u>Current</u>	<u>Claim</u>	<u>Balance</u>
	<u>July 1,</u>	<u>Year Claims</u>	<u>Payments</u>	<u>June 30, (1)</u>
		<u>and Changes</u>		
		<u>in Estimates</u>		
2006-2007	\$ 81,474	\$ 768,965	\$ (759,703)	\$ 90,736
2005-2006	\$ 77,717	\$ 730,916	\$ (727,159)	\$ 81,474

(1) Of the balance shown above, \$90.7 million 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 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, 2007, \$281.5 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 percent. Undiscounted claims payable at June 30, 2007, is \$341.4 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:

	<u>Balance</u>	<u>Current</u>	<u>Claim</u>	<u>Balance</u>
	<u>July 1,</u>	<u>Year Claims</u>	<u>Payments</u>	<u>June 30, (1)</u>
		<u>and Changes</u>		
		<u>in Estimates</u>		
2006-2007	\$ 272,128	\$ 66,654	\$ (57,293)	\$ 281,489
2005-2006	\$ 243,257	\$ 81,696	\$ (52,825)	\$ 272,128

(1) Of the balance shown above, \$51.4 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 \$2,000,000 per occurrence. Medical malpractice liability is assumed at the maximum per occurrence recovery limit stated in Section 8.01-581.15 of the *Code of Virginia* (\$1,850,000 for the year ending June 30, 2007, increasing annually until 2008 when it will reach \$2,000,000 per occurrence). Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

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

The Virginia Port Authority (Nonmajor Component Unit) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of \$5,000,000 per claim, but is obligated to pay the first \$1,000,000 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 \$75,000 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 \$4,633,936.

## **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 213 local government units participating in the pool. This includes 22 school districts, 30 counties, 82 cities/towns, and 79 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, 2007, \$16.5 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 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 of the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Local participation is voluntary and open to any political subdivision. As of June 30, 2007, there were 538 units of local government in the pool, including 4 cities, 40 towns, and 33 counties. The remaining 461 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 their membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with thirty days notice.

The pool is actuarially valued annually and is considered sound. Investment income is considered in the anticipation of premium deficiencies. No excess insurance or reinsurance is provided, but a "stability fund" is incorporated into the actuarially determined required reserves. If, however, the plan assets and reserves were to be exhausted, the members would be responsible for any deficits or liabilities. For the liability insurance pool, local participation is voluntary and open to any political subdivision. The risk assumed by the local public entity pool for member liability is \$1,000,000 per occurrence.

At June 30, 2007, \$12.7 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, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$ 16,573	\$ 16,212	\$ 12,804	\$ 10,467
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	162,536	155,767	2,928	7,498
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	(1,841)	(2,830)
Total Incurred Claims and Adjustment Expenses	162,536	155,767	1,087	4,668
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	162,560	155,406	106	177
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	-	-	1,344	2,433
Total Payments	162,560	155,406	1,450	2,610
Change in Provision for Discounts	-	-	260	279
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	\$ 16,549	\$ 16,573	\$ 12,701	\$ 12,804
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	\$ 16,549	\$ 16,573	\$ 13,450	\$ 13,597

Note (1): The entire balance for Local Choice Health Care, \$16,549 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, \$5,076 (dollars in thousands) is due within one year.

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

## 21. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2007.

	<u>Vendor</u>	<u>Salary/ Wage</u>	<u>Retainage</u>	<u>Other</u>	<u>Foundations (1)</u>	<u>Total</u>
<b>Primary Government:</b>						
General	\$ 202,998	\$ 112,313	\$ 4,773	\$ -	\$ -	\$ 320,084
Major Special Revenue Funds:						
Commonwealth Transportation	170,252	36,446	20,198	-	-	226,896
Federal Trust	92,232	15,417	38	1	-	107,688
Literary	240	-	-	-	-	240
Nonmajor Governmental Funds	35,900	27,791	10,227	46	-	73,964
Major Enterprise Funds:						
State Lottery (2)	2,334	1,569	-	2,855	-	6,758
Virginia College Savings Plan (2)	173	263	-	1,379	-	1,815
Unemployment Compensation	-	116	-	-	-	116
Nonmajor Enterprise Funds	35,047	4,584	-	8	-	39,639
Internal Service Funds	53,290	3,594	-	-	-	56,884
Private Purpose	1,011	39	-	-	-	1,050
Pension and Other Employee Benefit Trust (3)	386	1,398	-	53,186	-	54,970
Agency Funds	1,857	-	10,435	-	-	12,292
<b>Total Primary Government (4)</b>	<u>\$ 595,720</u>	<u>\$ 203,530</u>	<u>\$ 45,671</u>	<u>\$ 57,475</u>	<u>\$ -</u>	<u>\$ 902,396</u>
<b>Discrete Component Units:</b>						
Virginia Housing Development Authority	\$ 43,606	\$ -	\$ -	\$ -	\$ -	\$ 43,606
Virginia Public School Authority	78	-	-	-	-	78
University of Virginia	137,310	62,240	8,273	11,888	69,432	289,143
Virginia Polytechnic Institute and State University	43,966	52,512	5,163	-	10,202	111,843
Virginia Commonwealth University	62,291	58,353	6,876	-	8,669	136,189
Nonmajor Component Units	163,558	143,523	22,018	1,424	14,292	344,815
<b>Total Component Units</b>	<u>\$ 450,809</u>	<u>\$ 316,628</u>	<u>\$ 42,330</u>	<u>\$ 13,312</u>	<u>\$ 102,595</u>	<u>\$ 925,674</u>

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

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

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of \$40,537 (dollars in thousands) in investment payables associated with month-end rebalancing and \$12,649 (dollars in thousands) in program benefit liabilities.

Note (4): Fiduciary liabilities of \$68,312 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of \$51,878 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

## 22. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2007.

	Primary Government				
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	State Lottery
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ 39,932
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	190,914	-	191,967	-	-
Family Access to Medical Insurance Security Payable	1,242	-	2,307	-	-
Accrued Interest Payable	-	-	-	-	-
Tax Refunds Payable	294,404	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	3,264	1,221	-	6,051	-
Car Tax Refund Payable	263,025	-	-	-	-
Other Liabilities	-	-	-	2,030	-
Total Other Liabilities	<u>\$ 752,849</u>	<u>\$ 1,221</u>	<u>\$ 194,274</u>	<u>\$ 8,081</u>	<u>\$ 39,932</u>

	Primary Government (continued)				
	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Funds
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Program Participants, Escrows, and Providers	63	24,509	-	-	315
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Accrued Interest Payable	-	-	-	78	-
Tax Refunds Payable	-	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	-	-	179	100	-
Car Tax Refund Payable	-	-	-	-	-
Other Liabilities	-	-	78	5,019	-
Total Other Liabilities	<u>\$ 63</u>	<u>\$ 24,509</u>	<u>\$ 257</u>	<u>\$ 5,197</u>	<u>\$ 315</u>

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**Primary Government (continued)**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Agency Funds</b>	<b>Total Primary Government (1)</b>
Lottery Prizes Payable	\$ -	\$ -	\$ 39,932
Due to Program Participants, Escrows, and Providers	-	28,966	53,853
Medicaid Payable	-	-	382,881
Family Access to Medical Insurance Security Payable	-	-	3,549
Accrued Interest Payable	-	-	78
Tax Refunds Payable	-	-	294,404
Insurance Carrier Surety Deposit	-	403,656	403,656
Deposits Pending Distribution	-	34,674	45,489
Car Tax Refund Payable	-	-	263,025
Other Liabilities	1,795	2,133	11,055
Total Other Liabilities	<u>\$ 1,795</u>	<u>\$ 469,429</u>	<u>\$ 1,497,922</u>

Note (1): Fiduciary liabilities of \$471,539 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of \$309,900 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

**Component Units**

	<b>Virginia Housing Development Authority</b>	<b>Virginia Public School Authority</b>	<b>University of Virginia</b>	<b>Virginia Polytechnic Institute &amp; State University</b>	<b>Virginia Commonwealth University</b>
Accrued Interest Payable	\$ 89,144	\$ 60,459	\$ 1,165	\$ 570	\$ 4,504
Other Liabilities	-	383	61,044	23,231	99,897
Deposits Pending Distribution	-	-	441,865	16,837	25,935
Short-term Debt	-	-	83,248	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	<u>\$ 89,144</u>	<u>\$ 60,842</u>	<u>\$ 587,322</u>	<u>\$ 40,638</u>	<u>\$ 130,336</u>

**Component Units**

	<b>Nonmajor Component Units</b>	<b>Total Component Units</b>
Accrued Interest Payable	\$ 56,749	\$ 212,591
Other Liabilities	44,648	229,203
Deposits Pending Distribution	17,905	502,542
Short-term Debt	21,857	105,105
Grants Payable	9,401	9,401
Total Other Liabilities	<u>\$ 150,560</u>	<u>\$ 1,058,842</u>

## 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, 2007, the estimated liability related to Medicaid claims totaled \$382.9 million. Of this amount, \$190.9 million is reflected in the General Fund (major) and \$192.0 million in the Federal Trust Special Revenue Fund (major).

## 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, 2007, the estimated liability related to claims totaled \$3.5 million. Of this amount, \$1.2 million is reflected in the General Fund (major) and \$2.3 million in the Federal Trust Special Revenue Fund (major).

## Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2006, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2007. 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 million limit on the amount the Commonwealth would appropriate for personal property tax relief, beginning for tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the \$950 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.

## Short-term Debt

Various Higher Education Institutions' Foundations (Component Units) have short-term debt. University of Virginia Foundations (Major Component Unit) report \$19.0 million and Nonmajor Component Unit Foundations report \$21.9 million. This short-term debt is for working capital, property acquisition, construction costs, and operating costs. The University of Virginia (Major Component Unit) has commercial paper of \$64.2 million to provide bridge financing for capital projects.

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

## 23. 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, credit, and taxing power of the Commonwealth. No other long-term debt or obligations are backed by the full faith, credit, and taxing power of the Commonwealth.

Section 9(d) bonds are revenue bonds and are not backed by the full faith, credit and taxing power of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt may be supported by State appropriations in whole or in part, as in the case of certain debt of the VPA (Nonmajor Component Unit), VPBA (part of Primary Government), ITA (Nonmajor Component Unit), and VCBA (Nonmajor Component Unit). 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 (Component Units). Additionally, the 9(d) Transportation Bonds (Primary Government) are payable solely from revenues or earnings, and other available sources of funds appropriated by the General Assembly.

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 bond issues and short-term debt supported by tax revenues (net of sinking fund requirements), for which debt service payments are made or are ultimately pledged to be made from general governmental funds.



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. However, in some cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve

fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund. These bonds are considered to be moral obligation debt.

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 Assets.

<b>Total Long-term Liabilities</b>		
June 30, 2007		
<i>(Dollars in Thousands)</i>	<b>Balance At June 30</b>	<b>Amount Due Within One Year</b>
<b>Primary Government:</b>		
Governmental Activities:(1)		
<b>General Obligation Bonds: (2)</b>		
9(b) Transportation Facilities (3)	\$ 24,263	\$ 5,130
9(b) Public Facilities (3)	797,300	57,460
9(c) Parking Facilities (3)	8,804	1,149
9(c) Transportation Facilities (3)	69,962	10,830
Total General Obligation Bonds	<u>900,329</u>	<u>74,569</u>
<b>Non-General Obligation Bonds - 9(d):</b>		
Transportation Debt (3) (4)	1,788,088	159,905
Virginia Public Building Authority (3)	1,575,187	112,690
Total Non-General Obligation Bonds	<u>3,363,275</u>	<u>272,595</u>
<b>Other Long-term Obligations:</b>		
Pension Liability	789,771	-
Compensated Absences	340,008	155,650
Capital Lease Obligations	125,033	10,420
Regional Jail Financing Payable	11,693	1,713
Notes Payable	25,877	2,836
Installment Purchase Obligations	59,574	5,087
Industrial Development Authority Obligations	19,010	4,370
Economic Development Authority Obligations (3)	100,387	3,190
Other Liabilities	16,472	2,967
Total Other Long-term Obligations	<u>1,487,825</u>	<u>186,233</u>
Total Governmental Activities (3)	<u>5,751,429</u>	<u>533,397</u>
Business-type Activities: (1) (6)		
<b>Other Long-term Obligations:</b>		
Pension Liability	16,966	-
Compensated Absences	8,682	4,387
Installment Purchase Obligations	2,610	875
Tuition Benefits Payable	1,730,482	84,568
Lottery Prizes Payable	313,112	58,766
Total Other Long-term Obligations	<u>2,071,852</u>	<u>148,596</u>
Total Business-type Activities	<u>2,071,852</u>	<u>148,596</u>
<b>Total Primary Government</b>	<u>7,823,281</u>	<u>681,993</u>

(Continued on next page)



**Total Long-term Liabilities**  
June 30, 2007  
(continued from previous page)

<i>(Dollars in Thousands)</i>	<b>Balance At June 30</b>	<b>Amount Due Within One Year</b>
<b>Component Units:</b>		
<b>General Obligation Bonds: (2)</b>		
Higher Education Fund - 9(c) Bonds (3)	411,842	33,757
<b>Non-General Obligation Bonds:</b>		
Higher Education Institutions - 9(d) (3) (6)	815,247	25,580
Virginia College Building Authority (3)	828,488	81,141
Innovative Technology Authority	7,145	875
Virginia Port Authority (3) (7)	467,117	21,208
Virginia Housing Development Authority (3) (8)	5,998,183	213,754
Virginia Resources Authority (3) (8)	1,696,588	57,675
Virginia Public School Authority (3) (6)	2,860,310	188,253
Hampton Roads Sanitation District Commission (6)	143,658	9,922
Virginia Biotechnology Research Park Authority (3) (9)	61,175	3,308
Foundations (6) (10)	691,685	6,984
Total Non-General Obligation Bonds	<u>13,569,596</u>	<u>608,700</u>
<b>Other Long-term Obligations:</b>		
Pension Liability (5)	315,260	-
Compensated Absences	220,887	141,604
Capital Lease Obligations	124,738	6,910
Notes Payable (6)	1,034,475	91,224
Installment Purchase Obligations	126,755	20,338
Bond Anticipation Notes (6)	40,000	40,000
Trust and Annuity Obligations (11)	911	49
Other Liabilities (6)	292,330	44,613
Total Other Long-term Obligations (Excluding Foundations)	<u>2,155,356</u>	<u>344,738</u>
<b>Other Long-term Obligations (Foundations): (6) (10)</b>		
Pension Liability	51,930	-
Compensated Absences	4,515	4,409
Capital Lease Obligations	416	118
Notes Payable	207,785	31,301
Installment Purchase Obligations	123	103
Bond Anticipation Notes	2,100	2,100
Trust and Annuity Obligations (11)	98,816	2,917
Other Liabilities	18,860	185
Total Other Long-term Obligations - Foundations	<u>384,545</u>	<u>41,133</u>
Total Other Long-term Obligations	<u>2,539,901</u>	<u>385,871</u>
<b>Total Component Units</b>	<u>16,521,339</u>	<u>1,028,328</u>
<b>Total Long-term Liabilities</b>	<u>\$ 24,344,620</u>	<u>\$ 1,710,321</u>

1. Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-type Activities are considered Enterprise Funds.
2. Total general obligation debt of the Commonwealth is \$1,312.2 million.
3. Amounts are net of any unamortized discounts, premiums, and deferrals.
4. This debt includes \$800.5 million that is not supported by taxes.
5. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of \$3.5 million and Virginia Port Authority of \$4.4 million. It does not include pension obligations from fiduciary funds of \$3.7 million.
6. This debt is not supported by taxes.
7. This debt includes \$230.8 million that is not supported by taxes.
8. This debt is not supported by taxes; however, \$449.3 million from VHDA and \$678.6 million from VRA is considered moral obligation debt.
9. This debt includes \$11 million that is not supported by taxes.
10. Foundations represent FASB reporting entities defined in Note 1.B.
11. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

**Primary Government**

**Transportation Facilities Debt**

Transportation Facilities Bonds include \$24,263,481 of Section 9(b) general obligation bonds, \$69,961,604 of Section 9(c) general obligation bonds and \$987,550,631 of Section 9(d) revenue bonds. The Transportation Facilities Section 9(d) debt of \$1,788,087,999 includes \$800,537,368 of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes in addition to the outstanding Section 9(d) revenue bonds. Principal and interest requirements for the current year totaled \$258,785,991. The Section 9(b) Transportation Facilities bonds represent Powhite Refunding Bonds. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the Omer L. Hirst - Adelard L. Brault Expressway and 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 2.00 percent to 7.25 percent and the issuance dates range from June 28, 1989, to February 15, 2007.

On February 15, 2007, the Commonwealth Transportation Board issued \$39,115,000 of Section 9(d) Transportation Revenue Refunding Bonds Series 2007A and \$83,955,000 of Section 9(d) Transportation Revenue Refunding Bonds Series 2007B. The Series 2007A and Series 2007B bonds were issued to advance refund outstanding Series 1997C bonds.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(b) and 9(c) bonds and 9(d) debt:

Maturity	Principal	Interest	Total
2008	\$ 10,829,756	\$ 2,870,913	\$ 13,700,669
2009	7,549,000	2,522,950	10,071,950
2010	4,585,000	2,346,350	6,931,350
2011	4,795,000	2,136,100	6,931,100
2012	5,045,000	1,896,350	6,941,350
2013-2017	25,425,000	5,503,100	30,928,100
2018-2022	11,585,000	1,180,800	12,765,800
Less:			
Unamortized Discount	(555,178)	-	(555,178)
Deferral on Debt Defeasance	(1,928,600)	-	(1,928,600)
Add:			
Unamortized Premium	2,631,626	-	2,631,626
Total	\$ 69,961,604	\$ 18,456,563	\$ 88,418,167

Maturity	Principal	Interest	Total
2008	\$ 159,905,000	\$ 78,193,958	\$ 238,098,958
2009	162,960,000	70,589,493	233,549,493
2010	176,790,000	62,494,074	239,284,074
2011	185,490,000	53,622,681	239,112,681
2012	141,000,000	45,637,178	186,637,178
2013-2017	498,005,000	143,638,534	641,643,534
2018-2022	263,315,003	51,079,382	314,394,385
2023-2027	99,135,268	9,649,787	108,785,055
2028-2032	9,608,396	-	9,608,396
Less:			
Deferral on Debt Defeasance	(14,997,189)	-	(14,997,189)
Add:			
Accretion on Capital Appreciation Bonds	9,690,926	-	9,690,926
Unamortized Premium	97,185,595	-	97,185,595
Total	\$ 1,788,087,999	\$ 514,905,087	\$ 2,302,993,086

**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. 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 4.25 percent to 5.00 percent and the issue date was April 12, 2006. There were no current year principal requirements and interest requirements were \$5,065,538. The following schedule details the annual funding requirements necessary to repay these bonds:

Maturity	Principal	Interest	Total
2008	\$ 5,130,000	\$ 1,113,500	\$ 6,243,500
2009	5,415,000	857,000	6,272,000
2010	5,715,000	586,250	6,301,250
2011	6,010,000	300,500	6,310,500
Less:			
Deferral on Debt Defeasance	(473,400)	-	(473,400)
Add:			
Unamortized Premium	2,466,881	-	2,466,881
Total	\$ 24,263,481	\$ 2,857,250	\$ 27,120,731

**FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 3,190,000	\$ 4,640,187	\$ 7,830,187
2009	3,345,000	4,480,687	7,825,687
2010	3,515,000	4,313,437	7,828,437
2011	3,690,000	4,137,688	7,827,688
2012	3,875,000	3,953,188	7,828,188
2013-2017	22,480,000	16,658,688	39,138,688
2018-2022	28,480,000	10,663,500	39,143,500
2023-2027	27,940,000	3,375,050	31,315,050
Add:			
Unamortized Premium	3,871,678	-	3,871,678
Total	<u>\$ 100,386,678</u>	<u>\$ 52,222,425</u>	<u>\$ 152,609,103</u>

**Public Facilities Bonds**

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 1996 Refunding, Series 1997, Series 1998 Refunding, Series 1998, Series 1999A, Series 2002 Refunding, Series 2003A Refunding, Series 2004A, Series 2004B Refunding, Series 2005A, Series 2006A Refunding, Series 2006B, and Series 2007A. All bonds were issued to fund construction projects for higher educational institutions, mental health, and/or park facilities. The Series 2003A bonds were issued to advance refund outstanding Series 1993A and B, Series 1994, and Series 1996 bonds. The Series 2004B bonds were issued to advance refund outstanding Series 1997, Series 1998, and Series 1999A bonds. The Series 2006A bonds were issued to advance refund outstanding Series 1996 bonds. Principal and interest requirements for the current year totaled \$83,262,564. The interest rates for all bonds range from 2.0 percent to 5.5 percent and the issuance dates range from June 6, 1996, to June 20, 2007. The following schedule details the annual funding requirements necessary to repay these bonds:

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 57,460,000	\$ 36,064,800	\$ 93,524,800
2009	59,390,000	33,697,976	93,087,976
2010	59,060,000	30,983,395	90,043,395
2011	58,765,000	28,231,795	86,996,795
2012	58,555,000	25,420,958	83,975,958
2013-2017	233,035,000	86,436,948	319,471,948
2018-2022	144,120,000	41,722,650	185,842,650
2023-2027	90,810,000	10,012,225	100,822,225
Less:			
Deferral on Debt Defeasance	(8,908,600)	-	(8,908,600)
Add:			
Unamortized Premium	45,013,318	-	45,013,318
Total	<u>\$ 797,299,718</u>	<u>\$ 292,570,747</u>	<u>\$ 1,089,870,465</u>

**Parking Facilities Bonds**

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 1996, 2002 Refunding, 2003A,

2004A and 2006A Refunding. The Series 1996 bonds were issued to fund the renovation of the Seventh and Marshall Street parking deck. The Series 2002 Refunding bonds were issued to advance refund outstanding Series 1996 and Series 1993 Refunding bonds. The Series 2004A bonds were issued to fund the renovation of the Ninth and Franklin Street parking deck. The Series 2006A Refunding bonds were issued to advance refund outstanding Series 1996 outstanding bonds. The interest rates for these bonds range from 2.5 percent to 5.7 percent and the issuance dates range from June 6, 1996, to March 15, 2006. Current year principal and interest requirements totaled \$1,534,512.

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

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 1,148,715	\$ 412,411	\$ 1,561,126
2009	1,000,426	356,776	1,357,202
2010	1,046,985	307,004	1,353,989
2011	1,068,102	254,655	1,322,757
2012	260,000	204,000	464,000
2013-2017	1,415,000	815,250	2,230,250
2018-2022	1,685,000	441,000	2,126,000
2023-2027	800,000	54,450	854,450
Less:			
Deferral on Debt Defeasance	(267,400)	-	(267,400)
Add:			
Unamortized Premium	647,483	-	647,483
Total	<u>\$ 8,804,311</u>	<u>\$ 2,845,546</u>	<u>\$ 11,649,857</u>

**Virginia Public Building Authority**

Virginia Public Building Authority (VPBA) Section 9(d) bonds consist of Series 1992B, 1995A, 1996A refunding, 1997A, 1998A refunding, 1998B, 1999A, 1999B, 2000A, 2001A, 2002A, 2003A refunding, 2004A refunding, 2004B, 2004C refunding, 2004D refunding, 2005A refunding, 2005B refunding, 2005C, 2005D, 2006A, and 2006B. 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 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The interest rates for all fixed rate bonds range from 2.5 percent to 6.6 percent and the issuance dates range from August 1, 1992, to November 30, 2006. 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 \$146,336,746. The following schedule details the annual funding requirements necessary to repay these bonds:

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

Maturity	Principal	Interest	Total
2008	\$ 112,690,000	\$ 70,253,587	\$ 182,943,587
2009	118,095,000	63,828,320	181,923,320
2010	123,080,000	58,802,835	181,882,835
2011	120,720,000	53,441,760	174,161,760
2012	118,875,000	47,786,216	166,661,216
2013-2017	520,080,000	156,447,242	676,527,242
2018-2022	241,260,000	66,221,173	307,481,173
2023-2027	181,635,000	16,660,571	198,295,571
Less:			
Unamortized Discount	(4,380,781)	-	(4,380,781)
Deferral on Debt Defeasance	(28,588,153)	-	(28,588,153)
Add:			
Unamortized Premium	71,721,257	-	71,721,257
Total	<u>\$ 1,575,187,323</u>	<u>\$ 533,441,704</u>	<u>\$ 2,108,629,027</u>

### Regional Jail Financing Program

The Regional Jail Financing Program of the Commonwealth of Virginia Treasury Board was created during the 1993 Session of the General Assembly to establish a method of reimbursing localities, regional jail authorities or other combination of localities for a portion of the capital and financing costs of a jail project, made pursuant to Sections 53.1-80, 53.1-81, or 53.1-82 of the *Code of Virginia*. The General Assembly, upon recommendation from the Department of Planning and Budget, may determine to reimburse localities for approved capital costs over time through a contractual Reimbursement Agreement between the localities or authority and the Treasury Board. The Board of Corrections determines the amount of reimbursable capital costs. If approved for reimbursement over time, the Treasury Board determines the amount of reimbursable financing costs and calculates the periodic reimbursement payments.

In 1996, the General Assembly adopted legislation that authorized funding of jail project reimbursements through bonds issued by the Virginia Public Building Authority (VPBA). As of June 30, 1998, all future jail reimbursements were approved for funding through the VPBA as opposed to the Treasury Board. All reimbursements, whether up front or over time, are subject to appropriation by the General Assembly.

The following schedule details the annual funding requirements necessary to repay these obligations:

REGIONAL JAILS FINANCING  
Financial Obligations to Maturity

Calendar Year Obligations	Capital Costs	Financing Costs	Total
2008	\$ 1,712,928	\$ 919,166	\$ 2,632,094
2009	1,749,353	884,436	2,633,789
2010	1,785,867	847,422	2,633,289
2011	1,827,477	808,212	2,635,689
2012	1,869,189	766,526	2,635,715
2013-2017	2,748,174	78,586	2,826,760
Total	<u>\$ 11,692,988</u>	<u>\$ 4,304,348</u>	<u>\$ 15,997,336</u>

### Industrial Development Authority Obligations

In fiscal year 2002, the Newport News Industrial Development Authority (IDA) issued Section 9(d) revenue bonds to pay a portion of the cost of construction and equipping of the Virginia Advanced Shipbuilding and Carrier Integration Center for use by the Newport News Shipbuilding and Dry Dock Company. The Commonwealth's obligation is set out in a payment agreement between Newport News IDA and the Treasury Board, in which the Treasury Board agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 2.75 percent to 5.03 percent and the issue date was July 27, 2000. Current year principal and interest requirements totaled \$5,295,901. The following schedule details the annual funding requirements necessary to repay these bonds:

NEWPORT NEWS INDUSTRIAL DEVELOPMENT AUTHORITY  
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2008	\$ 4,370,000	\$ 920,545	\$ 5,290,545
2009	4,615,000	678,287	5,293,287
2010	4,875,000	417,313	5,292,313
2011	5,150,000	141,625	5,291,625
Total	<u>\$ 19,010,000</u>	<u>\$ 2,157,770</u>	<u>\$ 21,167,770</u>

### 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	\$ 624,609
College and university debt backed exclusively by pledged revenues of an institution	<u>190,638</u>
Total Higher Education Institution 9(d) debt	<u>\$ 815,247</u>

The interest rates for these bonds range from 1.5 percent to 9.25 percent and the issuance dates range from June 30, 1979 to June 20, 2007. The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds:

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

Maturity	Principal	Interest	Total
2008	33,076,529	19,365,112	52,441,641
2009	33,464,574	17,949,812	51,414,386
2010	33,428,015	16,501,302	49,929,317
2011	30,608,898	14,894,739	45,503,637
2012	26,880,000	13,450,496	40,330,496
2013-2017	113,630,000	48,748,033	162,378,033
2018-2022	76,230,000	25,489,244	101,719,244
2023-2027	51,935,000	9,528,431	61,463,431
2028-2032	15,020,000	1,542,125	16,562,125
Less:			
Unamortized Discount	(349,923)	-	(349,923)
Deferral on Debt Defeasance	(9,929,700)	-	(9,929,700)
Add:			
Unamortized Premium	7,848,146	-	7,848,146
Total	<u>\$ 411,841,539</u>	<u>\$ 167,469,294</u>	<u>\$ 579,310,833</u>

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

Maturity	Principal	Interest	Total
2008	\$ 26,074,067	\$ 35,145,652	\$ 61,219,719
2009	22,187,515	34,085,912	56,273,427
2010	23,426,067	33,144,082	56,570,149
2011	30,054,726	32,249,164	62,303,890
2012	31,323,496	30,997,280	62,320,776
2013-2017	135,003,137	134,679,461	269,682,598
2018-2022	113,483,843	106,502,249	219,986,092
2023-2027	109,880,000	82,014,188	191,894,188
2028-2032	128,635,000	59,681,654	188,316,654
2033-2037	194,810,000	32,702,846	227,512,846
Less:			
Deferral on Debt Defeasance	(11,331,710)	-	(11,331,710)
Add:			
Unamortized Premium	11,701,185	-	11,701,185
Total	<u>\$ 815,247,326</u>	<u>\$ 581,202,488</u>	<u>\$ 1,396,449,814</u>

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

Maturity	Principal	Interest	Total
2008	78,900,000	30,463,234	109,363,234
2009	73,655,000	29,193,381	102,848,381
2010	68,690,000	25,783,463	94,473,463
2011	60,415,000	22,775,975	83,190,975
2012	50,530,000	20,000,645	70,530,645
2013-2017	187,640,000	73,727,355	261,367,355
2018-2022	185,330,000	34,421,500	219,751,500
2023-2027	89,625,000	5,300,683	94,925,683
Less:			
Deferral on Debt Defeasance	(5,785,200)	-	(5,785,200)
Add:			
Unamortized Premium	39,488,206	-	39,488,206
Total	<u>\$ 828,488,006</u>	<u>\$ 241,666,236</u>	<u>\$ 1,070,154,242</u>

Various Higher Education Institutions' Foundations (Component Units) 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. Many principal and interest payments are to banks or industrial development authorities located throughout the Commonwealth. The following schedule details the future principal payments:

**FOUNDATIONS' BONDS (1)**  
Debt Service Requirements to Maturity

Maturity	Principal
2008	\$ 6,984,332
2009	8,698,780
2010	8,490,643
2011	12,199,781
2012	12,025,215
Thereafter	643,286,553
Total	<u>\$ 691,685,304</u>

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

**Innovative Technology Authority**

The Innovative Technology Authority (ITA) has issued Taxable Lease Revenue Bonds, Series 1989, and Series 1997 refunding. The Series 1989 bonds were issued to cover a portion of the costs related to the construction of a software development center and office building. Series 1997 bonds were issued to advance refund \$11.2 million of the outstanding 1989 bonds.

The 1989 bonds had an average interest rate of 10.3 percent and the 1997 bonds have an average interest rate of 7.4 percent. The bonds were issued on March 1, 1989, and May 1, 1997, respectively. The following schedule details the annual funding requirements necessary to amortize ITA bonds:



9(d) INNOVATIVE TECHNOLOGY AUTHORITY BONDS  
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2008	\$ 875,000	\$ 534,013	\$ 1,409,013
2009	855,000	470,051	1,325,051
2010	935,000	407,208	1,342,208
2011	1,015,000	336,896	1,351,896
2012	1,090,000	260,568	1,350,568
2013-2017	2,375,000	270,344	2,645,344
Total	<u>\$ 7,145,000</u>	<u>\$ 2,279,080</u>	<u>\$ 9,424,080</u>

Virginia Port Authority

The Virginia Port Authority (VPA) 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 3.0 percent to 6.0 percent and the issuance dates range from October 23, 1996, to April 11, 2007. Series 1998 bonds were issued to advance refund \$71.0 million of the outstanding Series 1988 bonds. Series 2006A bonds were issued to advance refund \$22.9 million of outstanding Series 1996 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
2008	\$ 20,625,000	\$ 21,297,156	\$ 41,922,156
2009	20,750,000	21,251,346	42,001,346
2010	11,205,000	20,432,533	31,637,533
2011	11,895,000	19,870,508	31,765,508
2012	12,465,000	19,280,908	31,745,908
2013-2017	69,595,000	86,230,562	155,825,562
2018-2022	74,475,000	67,609,584	142,084,584
2023-2027	95,260,000	46,344,901	141,604,901
2028-2032	75,245,000	23,864,976	99,109,976
2033-2037	64,220,000	8,303,262	72,523,262
Less:			
Deferral on Debt Defeasance	(1,261,264)	-	(1,261,264)
Add:			
Unamortized Premium	12,643,146	-	12,643,146
Total	<u>\$ 467,116,882</u>	<u>\$ 334,485,736</u>	<u>\$ 801,602,618</u>

Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 3.23 percent to 8.18 percent and the origination dates range from April 1, 1983, to June 28, 2007. 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
2008	\$ 213,754,000	\$ 288,737,000	\$ 502,491,000
2009	257,065,000	287,505,000	544,570,000
2010	272,860,000	276,485,000	549,345,000
2011	265,355,000	264,742,000	530,097,000
2012	261,650,000	253,039,000	514,689,000
2013-2017	1,216,950,000	1,089,708,000	2,306,658,000
2018-2022	1,071,190,000	792,906,000	1,864,096,000
2023-2027	930,055,000	527,038,000	1,457,093,000
2028-2032	743,063,000	302,879,000	1,045,942,000
2033-2037	512,541,000	125,646,000	638,187,000
2038-2042	170,570,000	39,367,000	209,937,000
2043-2047	73,010,000	6,456,000	79,466,000
Add:			
Unamortized Premium	10,120,000	-	10,120,000
Total	<u>\$ 5,998,183,000</u>	<u>\$ 4,254,508,000</u>	<u>\$ 10,252,691,000</u>

Virginia Resources Authority

The Virginia Resources Authority (VRA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 1.36 percent to 8.70 percent and the origination dates range from December 1, 1985, to March 18, 2007. 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
2008	\$ 57,675,000	\$ 74,497,838	\$ 132,172,838
2009	64,620,000	73,406,655	138,026,655
2010	66,115,000	70,597,898	136,712,898
2011	90,955,000	67,221,708	158,176,708
2012	94,685,000	62,843,044	157,528,044
2013-2017	425,880,000	251,878,605	677,758,605
2018-2022	381,915,000	158,322,661	540,237,661
2023-2027	304,225,000	78,425,980	382,650,980
2028-2032	151,310,000	31,138,319	182,448,319
2033-2037	82,345,000	8,758,870	91,103,870
Less:			
Unaccreted Capital Appreciation Bonds	(49,103,905)	-	(49,103,905)
Add:			
Unamortized Premium	25,967,386	-	25,967,386
Total	<u>\$ 1,696,588,481</u>	<u>\$ 877,091,578</u>	<u>\$ 2,573,680,059</u>

## Virginia Public School Authority

The Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.00 percent to 6.00 percent, and the origination dates range from November 20, 1997, to May 10, 2007. The following schedule details the annual funding requirements necessary to amortize these bonds:

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

Maturity	Principal	Interest	Total
2008	\$ 189,465,000	\$ 136,761,333	\$ 326,226,333
2009	195,290,000	125,863,369	321,153,369
2010	190,870,000	116,140,160	307,010,160
2011	185,500,000	106,684,919	292,184,919
2012	184,265,000	97,592,626	281,857,626
2013-2017	818,387,063	360,314,881	1,178,701,944
2018-2022	647,505,000	175,038,344	822,543,344
2023-2027	361,280,000	53,775,539	415,055,539
2028-2032	72,810,000	6,963,938	79,773,938
2033-2037	2,910,000	64,909	2,974,909
Less:			
Deferral on			
Debt Defeasance	(46,194,100)	-	(46,194,100)
Add:			
Unamortized Premium	58,222,218	-	58,222,218
Total	<u>\$ 2,860,310,181</u>	<u>\$ 1,179,200,018</u>	<u>\$ 4,039,510,199</u>

## Virginia Biotechnology Research Partnership Authority

The Virginia Biotechnology Research Partnership Authority issued Series 1996, 1998, 1999A, 1999B, and 2001 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 4.0 percent to 6.4 percent. The Series 1996 Virginia Biotechnology Research Partnership Authority Lease Revenue Bonds were refinanced with VPBA Series 2005A bonds on March 1, 2005.

VIRGINIA BIOTECHNOLOGY RESEARCH PARK AUTHORITY  
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2008	\$ 3,280,000	\$ 3,014,630	\$ 6,294,630
2009	3,440,000	2,862,134	6,302,134
2010	3,610,000	2,698,507	6,308,507
2011	3,795,000	2,525,335	6,320,335
2012	3,995,000	2,329,745	6,324,745
2013-2017	21,685,000	8,100,650	29,785,650
2018-2022	20,975,000	2,729,375	23,704,375
Add:			
Unamortized Premium	394,611	-	394,611
Total	<u>\$ 61,174,611</u>	<u>\$ 24,260,376</u>	<u>\$ 85,434,987</u>

Total principal outstanding at June 30, 2007, on all Component Unit bonds amounted to \$14.0 billion.

## Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993, and March 1, 2003. The interest cost for these bonds ranges from 2.5 percent to 4.75 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
2008	\$ 9,922,000	\$ 5,731,000	\$ 15,653,000
2009	10,439,000	4,820,000	15,259,000
2010	10,821,000	4,418,000	15,239,000
2011	11,349,000	3,955,000	15,304,000
2012	11,798,000	3,505,000	15,303,000
2013-2017	56,396,000	10,676,000	67,072,000
2018-2022	17,790,000	4,140,000	21,930,000
2023-2027	15,108,000	1,546,000	16,654,000
2028-2032	35,000	-	35,000
Total	<u>\$ 143,658,000</u>	<u>\$ 38,791,000</u>	<u>\$ 182,449,000</u>

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

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

*(Dollars in Thousands)*

	<u>Balance July 1, 2006</u>	<u>Issuances and Other Increases</u>	<u>Retirements and Other Decreases</u>	<u>Subtotal June 30, 2007</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
<b>Long-term Debt Bearing the Pledge of the</b>				
<b>Full Faith and Credit of the Commonwealth:</b>				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds (3)	\$ 571,340	\$ 242,875	\$ (53,020)	\$ 761,195
Parking Facilities Bonds (3)	9,494	-	(1,070)	8,424
Transportation Facilities Bonds (3)	107,777	-	(15,694)	92,083
Add: Unamortized Premium	42,133	12,722	(4,096)	50,759
Accretion on Capital Appreciation Bonds	-	-	-	-
Less: Unamortized Discount	(1,102)	547	-	(555)
Deferral on Debt Defeasance	(13,144)	1,567	-	(11,577)
<b>Total General Obligation Bonds</b>	<b>716,498</b>	<b>257,711</b>	<b>(73,880)</b>	<b>900,329</b>
<b>Long-term Debt / Obligations Not Bearing the Pledge</b>				
<b>of the Full Faith and Credit of the Commonwealth:</b>				
Transportation Facilities Bonds (3)	1,854,904	123,070	(281,765)	1,696,209
Virginia Public Building Authority Bonds (3)	1,274,505	350,065	(88,135)	1,536,435
Regional Jails Financing Payable	13,375	-	(1,682)	11,693
Industrial Development Authority Obligations	23,160	-	(4,150)	19,010
Economic Development Authority Obligations (3)	96,515	-	-	96,515
Add: Unamortized Premium	162,493	27,903	(17,434)	172,962
Accretion on Capital Appreciation Bonds	7,448	2,243	-	9,691
Less: Unamortized Discount	(8,396)	3,833	-	(4,563)
Deferral on Debt Defeasance	(54,960)	14,320	(2,947)	(43,587)
Installment Purchase Obligations	50,485	15,888	(6,799)	59,574
Notes Payable - Virginia Public Broadcasting Board	13,485	-	(2,415)	11,070
Notes Payable - Transportation	12,325	-	-	12,325
Notes Payable - Aviation	2,768	-	(286)	2,482
Compensated Absences	328,799	16,637	(5,428)	340,008
Capital Lease Obligations	126,615	10,144	(11,726)	125,033
Pension Liability	709,835	82,285	(2,349)	789,771
Other	18,114	1,581	(3,223)	16,472
<b>Total Long-term Debt / Obligations Not Bearing the Pledge</b> <b>of the Full Faith and Credit of the Commonwealth</b>	<b>4,631,470</b>	<b>647,969</b>	<b>(428,339)</b>	<b>4,851,100</b>
<b>Total Governmental Activities</b>	<b>5,347,968</b>	<b>905,680</b>	<b>(502,219)</b>	<b>5,751,429</b>
<b>Business-type Activities:</b>				
<b>Long-term Debt / Obligations Not Bearing the Pledge</b>				
<b>of the Full Faith and Credit of the Commonwealth:</b>				
Installment Purchase Obligations	5,967	-	(3,357)	2,610
Compensated Absences	8,262	4,399	(3,979)	8,682
Pension Liability	14,474	2,492	-	16,966
Lottery Prizes Payable	346,636	4,195	(37,719)	313,112
Tuition Benefits Payable	1,617,517	178,341	(65,376)	1,730,482
<b>Total Business-type Activities</b>	<b>1,992,856</b>	<b>189,427</b>	<b>(110,431)</b>	<b>2,071,852</b>
<b>Total Primary Government</b>	<b>\$ 7,340,824</b>	<b>\$ 1,095,107</b>	<b>\$ (612,650)</b>	<b>\$ 7,823,281</b>



<u>Foundations (4)</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
\$ -	\$ 761,195	\$ 57,460
-	8,424	1,149
-	92,083	15,960
-	50,759	-
-	-	-
-	(555)	-
-	(11,577)	-
-	<u>900,329</u>	<u>74,569</u>
-	1,696,209	159,905
-	1,536,435	112,690
-	11,693	1,713
-	19,010	4,370
-	96,515	3,190
-	172,962	-
-	9,691	-
-	(4,563)	-
-	(43,587)	-
-	59,574	5,087
-	11,070	2,550
-	12,325	-
-	2,482	286
-	340,008	155,650
-	125,033	10,420
-	789,771	-
-	<u>16,472</u>	<u>2,967</u>
-	<u>4,851,100</u>	<u>458,828</u>
-	<u>5,751,429</u>	<u>533,397</u>
-	2,610	875
-	8,682	4,387
-	16,966	-
-	313,112	58,766
-	<u>1,730,482</u>	<u>84,568</u>
-	<u>2,071,852</u>	<u>148,596</u>
<u>\$ -</u>	<u>\$ 7,823,281</u>	<u>\$ 681,993</u>

*Continued on next page*

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

(Dollars in Thousands)

	Balance July 1, 2006	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2007
<b>Component Units</b>				
<b>Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
General Obligation Bonds - Higher Education 9(c) (3)	\$ 325,969	\$ 117,029	\$ (31,156)	\$ 411,842
<b>Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
Bonds (3)	11,333,493	2,607,423	(1,063,005)	12,877,911
Installment Purchase Obligations	137,788	15,333	(26,366)	126,755
Capital Lease Obligations	59,532	72,523	(7,317)	124,738
Notes Payable	908,394	242,084	(116,003)	1,034,475
Compensated Absences	199,127	173,226	(151,466)	220,887
Pension Liability	259,739	58,060	(2,539)	315,260
Bond Anticipation Notes	-	40,000	-	40,000
Trust and Annuity Obligations	31	1,023	(143)	911
Other	284,322	232,983	(224,975)	292,330
<b>Total Component Units</b>	<b>\$ 13,508,395</b>	<b>\$ 3,559,684</b>	<b>\$ (1,622,970)</b>	<b>\$ 15,445,109</b>

- (1) Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-type Activities are considered Enterprise Funds.
- (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 special revenue funds. 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.
- (3) Amounts are net of any unamortized discounts, premiums, and deferrals.
- (4) Foundations represent FASB reporting entities defined in Note 1.B.

<u>Foundations (4)</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
\$ -	\$ 411,842	\$ 33,757
691,685	13,569,596	608,700
123	126,878	20,441
416	125,154	7,028
207,785	1,242,260	122,525
4,515	225,402	146,013
51,930	367,190	-
2,100	42,100	42,100
98,816	99,727	2,966
18,860	311,190	44,798
<u>\$ 1,076,230</u>	<u>\$ 16,521,339</u>	<u>\$ 1,028,328</u>

## Bond Defeasance

### Primary Government

On February 15, 2007, the Commonwealth Transportation Board issued \$39,115,000 in Transportation Revenue and Refunding Bonds Series 2007A and \$83,955,000 in Transportation Revenue and Refunding Bonds Series 2007B with true interest cost (TIC) of 3.95 percent. The bonds that were refunded with the series 2007A Transportation Revenue Refunding Bonds were \$39,655,000 of outstanding Transportation Revenue Bonds, Series 1997B. The bonds that were refunded with the series 2007B Transportation Revenue Refunding Bonds were \$88,755,000 of outstanding Transportation Revenue Bonds, Series 1997C. The net proceeds from the sale of the refunding portion of the bonds of \$131,355,689 (after payment of underwriter's fees and other issuance costs) were deposited to an irrevocable trust with an escrow agent to provide future debt service payment and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,945,689. This amount has been netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments over the next 13 years will be reduced by \$11,564,925 resulting in an economic gain of \$10,260,810 discounted at a rate of 3.89 percent.

### Component Units

In February 2007, the Virginia College Building Authority issued \$59,125,000 of Series 2007A 21<sup>st</sup> Century College Program refunding bonds. The bonds refunded with the series 2007A refunding bonds were \$8,400,000 of series 1998, \$7,215,000 of series 1999, \$7,300,000 of series 2001, and \$38,190,000 of series 2002A 21<sup>st</sup> Century College Program bonds. The net proceeds from the sale of the refunding bonds of \$61,979,042 were deposited in irrevocable trusts with escrow agents to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of \$2,057,000. Total debt service payments over the next 15 years will be reduced by \$3,478,788 resulting in a present value savings of \$2,658,194 discounted at the rate of 3.94 percent.

In April 2007, the Virginia Port Authority issued \$74,255,000 of Port Facility Revenue Bonds to currently refund all but \$7,040,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 1997 issued in the original par amount of \$98,065,000. The refunding was undertaken to take advantage of the lower interest rates available to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$939,014. This amount is netted against the old debt and amortized over the life of the new debt which is the same as the refunded debt. The transaction also resulted in a net present value savings of \$7,000,743. Proceeds from

the sale, along with other funds available from the Authority, were placed in an irrevocable trust with an escrow agent to repay the bonds in full in July 2007.

During the fiscal year, the Virginia Resources Authority issued refunding bonds series 2006B and 2006C. The bonds that were refunded or partially refunded were \$22,020,000 of series 2000A and \$14,095,000 of series 2000B Water and Sewer Revenue Bonds. The refunding resulted in an economic gain of \$2,263,810.

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, 2007, there were \$557.1 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 \$765.1 million in bonds outstanding considered defeased from the Component Units.

### Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 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. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. Governmental issuers may elect to pay a penalty in lieu of rebate. 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.

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 non-general fund appropriations to satisfy any rebate liability.

Rebate liability on bonds of the Virginia Public School Authority (Major Component Unit) is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During the year, \$55,040 was paid to the Federal

government for rebate on various VPSA School Financing Bonds.

**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, 2007, are shown in the following table (dollars in thousands). There were no capital lease amounts associated with business-type activities.

	<u>Governmental Activities</u>	<u>Component Units (1)</u>
2008	\$ 20,513	\$ 11,700
2009	19,595	11,858
2010	19,201	12,211
2011	18,666	10,770
2012	16,847	9,318
2013-2017	64,606	39,872
2018-2022	26,775	26,635
2023-2027	690	23,365
2028-2032	-	22,991
2033-2037	-	4,800
2038-2042	-	950
2043-2047	-	1,194
2048-2052	-	3,092
<b>Total Gross Minimum Lease Payments</b>	<b>186,893</b>	<b>178,756</b>
Less: Amount Representing Executory Costs	<u>12,005</u>	<u>6,548</u>
<b>Net Minimum Lease Payments</b>	<b>174,888</b>	<b>172,208</b>
Less: Amount Representing Interest	<u>49,855</u>	<u>47,470</u>
<b>Present Value of Net Minimum Lease Payments</b>	<b><u>\$ 125,033</u></b>	<b><u>\$ 124,738</u></b>

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

**Foundations (2)**

2008	\$ 118
2009	280
2010	<u>18</u>
<b>Net Minimum Lease Payments</b>	<b>416</b>
Less: Amount Representing Interest	<u>-</u>
<b>Present Value of Net Minimum Lease Payments</b>	<b><u>\$ 416</u></b>

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

At June 30, 2007, 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.

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
<b>Governmental Activities:</b>			
Gross Capital Assets	\$ 178,504	\$ 7,431	\$ 185,935
Less: Accumulated Depreciation	<u>50,366</u>	<u>623</u>	<u>50,989</u>
<b>Total Governmental Activities</b>	<b><u>\$ 128,138</u></b>	<b><u>\$ 6,808</u></b>	<b><u>\$ 134,946</u></b>
<b>Component Units:</b>			
Gross Capital Assets	\$ 140,009	\$ 34,263	\$ 174,272
Less: Accumulated Depreciation	<u>13,796</u>	<u>18,543</u>	<u>32,339</u>
Subtotal (excluding Foundations)	<u>126,213</u>	<u>15,720</u>	<u>141,933</u>
Foundations:			
Gross Capital Assets	-	567	567
Less: Accumulated Depreciation	<u>-</u>	<u>108</u>	<u>108</u>
Subtotal Foundations	<u>-</u>	<u>459</u>	<u>459</u>
<b>Total Component Units</b>	<b><u>\$ 126,213</u></b>	<b><u>\$ 16,179</u></b>	<b><u>\$ 142,392</u></b>
<b>Total Capital Lease Assets</b>	<b><u>\$ 254,351</u></b>	<b><u>\$ 22,987</u></b>	<b><u>\$ 277,338</u></b>

## Notes Payable

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

<b>Primary Government</b>	
Transportation Note	\$ 12,325
Virginia Public Broadcasting Board Note	11,070
Aviation Note	2,482
Installment Notes	62,184
<b>Total Primary Government</b>	<u>88,061</u>
<b>Component Units</b>	
Virginia Public School Authority	172,390
University of Virginia	68,553
Virginia Polytechnic Institute and State University	122,304
Virginia Commonwealth University	164,670
Nonmajor Component Units	506,558
Installment Notes	126,755
Subtotal (excluding Foundations)	<u>1,161,230</u>
Foundations:	
Notes Payable	207,785
Installment Notes	123
Subtotal - Foundations	<u>207,908</u>
<b>Total Component Units</b>	<u>1,369,138</u>
<b>Total Notes Payable</b>	<u>\$ 1,457,199</u>

The Transportation (Primary Government) Note listed above represents an interest free note payable to Fairfax County, Virginia, of \$4,325,000 which was issued pursuant to the State Revenue Bond Act, Article 5, Title 33.1, *Code of Virginia* to pay for the acquisition and construction of the Omer L. Hirst - Adelard L. Brault Expressway. This note is to be repaid on December 1, 2008. Additionally, the Virginia Department of Transportation (part of Primary Government) entered into an interest free note payable to Chesterfield County, Virginia, of \$8,000,000 for the repayment of the Powhite Parkway Extension Toll Road from surplus net revenues of the project prior to the retirement of all the bonds issued.

The Virginia Public Broadcasting Board (part of Primary Government) Note listed above represents a loan agreement entered into with the Harrisonburg Industrial Development Authority for \$23,840,000. The purpose of the loan was to grant funds to Virginia's public television stations to assist with the cost of conversion to the Federal Communication Commission's new digital standard. The agreement was entered into February 27, 2001, and has a variable rate of interest. The variable interest rates are reset weekly by the remarketing agent. The General Assembly authorized these grants in Chapter 1073 of the 2000 Appropriation Act.

The Aviation Note listed above represents a loan agreement with the Virginia Resources Authority in the amount of \$6,600,000. 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 \$172,390,000 are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (Major Special Revenue Fund).

An additional amount of \$862,085,000 is comprised primarily of Higher Education (Component Unit) promissory notes with the Virginia College Building Authority (Nonmajor Component Unit) to finance the construction of various higher education facilities. The principal amount net of unamortized accruals is \$851,968,456. Interest rates range from 2.75 percent to 5.75 percent and shall be paid semi-annually. The final principal payment is due in 2035. The Virginia Biotechnology Research Partnership Authority has a note payable in the amount of \$800,381 used to purchase two pieces of land.

The Higher Education Institutions (Component Units) also have notes payable. The University of Virginia (Major Component Unit) has notes payable of \$5,068,768 between the Medical Center and a subsidiary. The College of William and Mary (Nonmajor Component Unit) has notes payable of \$2,057,509 with SunTrust Bank to partially finance the multi-year implementation of a new administrative and financial system. This first note matures in 2008 and has an interest rate of 5.82 percent. The second note has an interest rate of 3.75 percent and matures in 2011. Virginia State University (Nonmajor Component Unit) has a note payable of \$2,105,097, which is the result of a loan agreement with the U.S. Department of Housing and Urban Development to repair seven dormitories. The loan is to be repaid over 30 years at 3.0 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. Norfolk State University (Nonmajor Component Unit) has a note payable of \$85,387, which is the result of an agreement with the City of Norfolk to purchase the Brambleton Center. The loan is payable in six full scholarships each year varying from \$4,593 to \$13,308 with the final amount due in 2019.

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, 2007, are shown in the following table (dollars in thousands).

**Foundations' Notes Payable (Component Units) (1)**

June 30, 2007

<b>Maturity</b>	<b>Principal</b>
2008	\$ 31,301
2009	11,716
2010	13,481
2011	22,241
2012	9,938
Thereafter	119,108
<b>Total</b>	<b>\$ 207,785</b>

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

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent \$188,938,569 of the total outstanding debt of the Commonwealth. The Foundations (Component Units) had installment purchase obligations totaling \$123,053 as of year-end. Presented in the following tables are repayment schedules for installment purchase obligations.

**Installment Purchase Obligations - Governmental Funds**

June 30, 2007

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 5,086,941	\$ 2,952,005	\$ 8,038,946
2009	5,975,035	2,216,176	8,191,211
2010	6,186,457	1,819,974	8,006,431
2011	5,049,858	1,589,094	6,638,952
2012	3,480,129	1,423,019	4,903,148
2013-2017	17,020,897	5,176,933	22,197,830
2018-2022	16,138,040	1,820,282	17,958,322
2023-2027	636,715	8,641	645,356
<b>Total</b>	<b>\$ 59,574,072</b>	<b>\$ 17,006,124</b>	<b>\$ 76,580,196</b>

**Installment Purchase Obligations - Business-type Activities**

June 30, 2007

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 875,027	\$ 72,473	\$ 947,500
2009	770,681	46,587	817,268
2010	776,891	20,579	797,470
2011	186,944	1,963	188,907
<b>Total</b>	<b>\$ 2,609,543</b>	<b>\$ 141,602</b>	<b>\$ 2,751,145</b>

**Installment Purchase Obligations - Component Units (1)**

June 30, 2007

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 20,338,565	\$ 3,408,560	\$ 23,747,125
2009	18,414,683	3,888,948	22,303,631
2010	18,856,059	4,181,375	23,037,434
2011	9,584,364	2,235,919	11,820,283
2012	8,781,027	1,931,982	10,713,009
2013-2017	33,231,651	5,692,400	38,924,051
2018-2022	17,548,605	1,383,980	18,932,585
<b>Total</b>	<b>\$ 126,754,954</b>	<b>\$ 22,723,164</b>	<b>\$ 149,478,118</b>

Note (1): The above amounts exclude installment purchase obligations of Foundations.

**Installment Purchase Obligations - Foundations (2)**

June 30, 2007

<b>Maturity</b>	<b>Principal</b>
2008	\$ 102,669
2009	20,384
<b>Total</b>	<b>\$ 123,053</b>

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

## 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, 2007, are shown in the following table:

	<u>Jackpot</u>	<u>Win For Life</u>	<u>Total</u>
Due within one year	\$ 56,423,312	\$ 2,342,987	\$ 58,766,299
Due in subsequent years	<u>223,036,370</u>	<u>31,309,990</u>	<u>254,346,360</u>
Total (present value)	279,459,682	33,652,977	313,112,659
Add:			
Interest to Maturity	<u>78,858,318</u>	<u>29,175,023</u>	<u>108,033,341</u>
Lottery Prizes Payable at Maturity	<u>\$ 358,318,000</u>	<u>\$ 62,828,000</u>	<u>\$ 421,146,000</u>

## Tuition Benefits Payable

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

At June 30, 2007, tuition benefits payable of \$1.7 billion have been recorded for the VPEP program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the VPEP program. In addition, a receivable in the amount of \$294.5 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.



## 24. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2007.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
<b>Primary Government:</b>					
General	\$ 243	\$ 194,696	\$ 10,281	\$ 6	\$ -
Major Special Revenue Funds:					
Commonwealth Transportation	18,918	10,201	56,437	-	1,279
Federal Trust	8	163	-	-	485
Literary	-	66,087	-	-	-
Nonmajor Governmental Funds	90,629	50,663	72,656	12,421	22,544
Nonmajor Enterprise Funds	-	12,684	-	-	-
Private Purpose	-	-	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
Total Primary Government	<u>\$ 109,798</u>	<u>\$ 334,494</u>	<u>\$ 139,374</u>	<u>\$ 12,427</u>	<u>\$ 24,308</u>

	Tobacco Master Settlement	Taxes	Smart Tag	Other	Total Other Revenue (1)
<b>Primary Government:</b>					
General	\$ 50,087	\$ -	\$ -	\$ 59,268	\$ 314,581
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	11,727	16,545	115,107
Federal Trust	-	-	-	74,116	74,772
Literary	-	-	-	84,988	151,075
Nonmajor Governmental Funds	-	-	-	122,329	371,242
Nonmajor Enterprise Funds	-	12,430	-	2,494	27,608
Private Purpose	-	-	-	7	7
Pension and Other Employee Benefit Trust	-	-	-	338	338
Total Primary Government	<u>\$ 50,087</u>	<u>\$ 12,430</u>	<u>\$ 11,727</u>	<u>\$ 360,085</u>	<u>\$ 1,054,730</u>

Note (1): \$85,000 (dollars in thousands) of the total amount recorded for the Literary Fund is related to unclaimed property.

## 25. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2007.

*(Dollars in Thousands)*

	<u>Insurance Claims</u>	<u>Lottery Prize Expense</u>	<u>Total Prizes and Claims</u>
<b>Proprietary Funds:</b>			
Major Enterprise Funds:			
State Lottery	\$ -	\$ 781,038	\$ 781,038
Unemployment Compensation	381,660	-	381,660
Nonmajor Enterprise Funds	165,278	-	165,278
Total Enterprise Funds	<u>\$ 546,938</u>	<u>\$ 781,038</u>	<u>\$ 1,327,976</u>
Internal Service Funds	<u>\$ 837,679</u>	<u>\$ -</u>	<u>\$ 837,679</u>

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## 26. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense for the fiscal year ended June 30, 2007.

*(Dollars in Thousands)*

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total Depreciation and Amortization</u>
<b>Proprietary Funds:</b>			
Major Enterprise Funds:			
State Lottery	\$ 1,991	\$ -	\$ 1,991
Virginia College Savings Plan	64	-	64
Nonmajor Enterprise Funds	6,384	105	6,489
Total Enterprise Funds	<u>\$ 8,439</u>	<u>\$ 105</u>	<u>\$ 8,544</u>
Internal Service Funds	<u>\$ 24,625</u>	<u>\$ -</u>	<u>\$ 24,625</u>

## 27. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2007.

*(Dollars in Thousands)*

	Grants and Distributions To Localities	Expendable Equipment/ Improvements	Other (2)	Total Other Expenses (1)
<b>Proprietary Funds:</b>				
Major Enterprise Funds:				
Virginia College Savings Plan	\$ -	\$ 129	\$ 870	\$ 999
Nonmajor Enterprise Funds	107	2,002	379	2,488
Total Enterprise Funds	<u>\$ 107</u>	<u>\$ 2,131</u>	<u>\$ 1,249</u>	<u>\$ 3,487</u>
Internal Service Funds	<u>\$ 1,369</u>	<u>\$ 8,753</u>	<u>\$ 8,265</u>	<u>\$ 18,387</u>
Private Purpose	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>
Pension and Other Employee Benefit Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550</u>	<u>\$ 550</u>

Note (1): Fiduciary expenses of \$565 (dollars in thousands) are not included in the Government-wide Statement of Activities.

Note (2): \$7,466 (dollars in thousands) can be attributed to expenses related to closing cases in the Risk Management Internal Service Fund.

## 28. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2007.

*(Dollars in Thousands)*

	Loss on Sale of Capital Assets	Expenses for Securities Lending Transactions	Other (1)	Total Other Non- Operating Revenue/ Expenses
<b>Proprietary Funds:</b>				
Major Enterprise Funds:				
State Lottery	\$ -	\$ (3,919)	\$ 391	\$ (3,528)
Nonmajor Enterprise Funds	(10)	(2,958)	(147)	(3,115)
Total Enterprise Funds	<u>\$ (10)</u>	<u>\$ (6,877)</u>	<u>\$ 244</u>	<u>\$ (6,643)</u>
Internal Service Funds	<u>\$ (495)</u>	<u>\$ (5,555)</u>	<u>\$ 4,079</u>	<u>\$ (1,971)</u>

Note (1): \$3,648 (dollars in thousands) is related to revenues associated with asset transfers in the Virginia Information Technologies Agency Internal Service Fund.

## 29. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2007 (dollars in thousands).

Transfers Out (Reported In):	Transfers In (Reported In):				
	General	Commonwealth Transportation	Federal Trust	Literary Fund	Nonmajor Governmental Funds
<b>Primary Government</b>					
General	\$ -	\$ 171,316	\$ -	\$ -	\$ 545,147
Major Special Revenue Funds:					
Commonwealth Transportation	36,939	-	188	-	264,132
Federal Trust	298	9,496	-	-	232
Nonmajor Governmental Funds	34,067	1,001	1,181	-	7,982
Major Enterprise Funds:					
State Lottery	437,180	-	-	10,747	-
Virginia College Savings Plan	146	-	-	-	-
Unemployment Compensation	273	-	9,501	-	-
Nonmajor Enterprise Funds	104,802	-	-	5	1,025
Internal Service Funds	553	-	-	-	1,023
<b>Total Primary Government</b>	<b>\$ 614,258</b>	<b>\$ 181,813</b>	<b>\$ 10,870</b>	<b>\$ 10,752</b>	<b>\$ 819,541</b>

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

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

- Various non-general funds transferred approximately \$12.7 million to the General Fund as required by Chapter 847, 2007 Acts of Assembly.
- The Department of Motor Vehicles transferred certain fees of approximately \$6.9 million to the General Fund as required by Chapter 847, 2007 Acts of Assembly.

## 30. EXTRAORDINARY ITEMS

Extraordinary items are defined as significant transactions or events that are both unusual in nature and infrequent in occurrence. A foundation of the University of Virginia (Major Component Unit) reported

an extraordinary item of approximately \$19.5 million for the change in reporting related to a revocable trust that is a component unit of the foundation. A foundation of the Christopher Newport University (Nonmajor Component Unit) reported an extraordinary item of \$2.5 million which represents the excess of insurance proceeds over the net book value of property and improvements that were damaged in August 2006 when lightning struck a building owned by the foundation.

## 31. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2007, the Department of Taxation changed the methodology used to compute deferred taxes. Previously, the computations were based on fiscal year data. Beginning in fiscal year 2007, the computations are based on tax year data. As a result, beginning balances for the Government-wide Governmental Activities and General Fund (Major) have been restated by \$151.7 million and \$132.0 million, respectively.

During fiscal year 2007, higher education institutions were issued new guidelines for reporting "due from" amounts related to Department of Treasury's reimbursement programs. Beginning net assets have been increased by approximately \$8.4 million for the higher education institutions because of the new guidelines. In addition, beginning net assets have been decreased by approximately \$6.9 million in the Capital Project Funds (Nonmajor) and \$1.5 million for the Virginia College Building Authority (Nonmajor Component Unit).

<b>Nonmajor Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Total Primary Government</b>
\$ 73	\$ -	\$ 716,536
-	311	301,570
31	1	10,058
40	-	44,271
-	-	447,927
-	-	146
-	-	9,774
-	443	106,275
-	-	1,576
<u>\$ 144</u>	<u>\$ 755</u>	<u>\$ 1,638,133</u>

Prior to fiscal year 2007, general fund appropriation available amounts reported by higher education institutions were eliminated in the Comprehensive Annual Financial Report because these amounts were also reported in the General Fund as cash. For fiscal year 2007, these amounts are not eliminated and are reported as a "Due from Primary Government" by the higher education institutions. A "Due to Component Units" is reported in the General Fund. Beginning net assets have been increased by approximately \$90.7 million for the higher education institutions because of this change. The General Fund beginning fund balance has been decreased by approximately \$11.6 million in the governmental fund statements, and beginning net assets in the government-wide financial statements has been decreased by the entire \$90.7 million.

### 32. ON-BEHALF PAYMENTS

Higher Education Institutions (Component Units) recognized various foundation and association on-behalf payments for fringe benefits and salaries during fiscal year 2007 totaling \$947,751. This activity was recorded as Program Revenue – Operating Grants and Contributions in the amount of \$921,501; and Program Revenue – Charges for Services in the amount of \$26,250, with corresponding expenses.

### 33. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is \$1,074,371,734, and of this amount, \$1,070,564,748 is reported as restricted net assets and \$3,806,986 is reported as unrestricted net assets. 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.

### 34. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2007.

	<u>State Lottery</u>	<u>Virginia College Savings Plan</u>	<u>Unemployment Compensation</u>
Cash Flows Resulting from:			
Payments for Prizes, Claims, and Loss Control:			
Lottery Prizes	\$ (843,293)	\$ -	\$ -
Claims and Loss Control	-	-	(380,731)
Total	<u>\$ (843,293)</u>	<u>\$ -</u>	<u>\$ (380,731)</u>
Other Operating Revenues:			
Other Operating Revenue	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Operating Expenses:			
Payments for Contractual Services	\$ (26,938)	\$ (3,413)	\$ -
Other Operating Expenses (1)	-	-	-
Total	<u>\$ (26,938)</u>	<u>\$ (3,413)</u>	<u>\$ -</u>
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	\$ 6,000	\$ -	\$ -
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	949	-	-
Total	<u>\$ 6,949</u>	<u>\$ -</u>	<u>\$ -</u>
Other Noncapital Financing Disbursement Activities:			
Repayments of Advances/Contributions from the Commonwealth	\$ (8,000)	\$ -	\$ -
Other Noncapital Financing Disbursement Activities	-	-	-
Total	<u>\$ (8,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Disbursements for Capital Expenditures			
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note (1): \$7,466 (dollars in thousands) can be attributed to disbursements related to closing cases in the Risk Management Internal Service Fund.

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ (843,293)	\$ -
(163,984)	(544,715)	(813,415)
<u>\$ (163,984)</u>	<u>\$ (1,388,008)</u>	<u>\$ (813,415)</u>
\$ 4,920	\$ 4,920	\$ 6
<u>\$ 4,920</u>	<u>\$ 4,920</u>	<u>\$ 6</u>
\$ (51,068)	\$ (81,419)	\$ (284,322)
(48)	(48)	(8,518)
<u>\$ (51,116)</u>	<u>\$ (81,467)</u>	<u>\$ (292,840)</u>
\$ 28,623	\$ 34,623	\$ -
142,233	142,233	-
755	1,704	201
<u>\$ 171,611</u>	<u>\$ 178,560</u>	<u>\$ 201</u>
\$ (39,890)	\$ (47,890)	\$ -
(1,264)	(1,264)	-
<u>\$ (41,154)</u>	<u>\$ (49,154)</u>	<u>\$ -</u>
\$ -	\$ -	\$ (1,487)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,487)</u>

### **35. 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. The Commonwealth could receive approximately \$4.1 billion over the next 25 years. 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), 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 Tobacco Settlement Foundation (Foundation). 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. The Virginia Tobacco Indemnification and Community Revitalization Commission and the Virginia Tobacco Settlement Foundation are included in the Comprehensive Annual Financial Report as component units.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies are accounted for in these funds and the General Fund. Fifty percent of the Settlement monies will be deposited into the Tobacco Indemnification and Community Revitalization Fund. Ten percent of the Settlement monies will be deposited into the Virginia Tobacco Settlement Fund. The remaining 40 percent will be reported in the General Fund.

In May 2005, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Tobacco Indemnification and Community Revitalization Commission (Commission), the Commonwealth sold to the Tobacco Settlement Financing Corporation (Corporation) 25 percent of its future right, title and interest in the Tobacco Settlement Revenues (TSRs). In May 2007, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Tobacco Indemnification and Community Revitalization

Commission (Commission), the Commonwealth sold to the Tobacco Settlement Financing Corporation (Corporation) the remaining 25 percent of its future right, title and interest in the Tobacco Settlement Revenues (TSRs). Specifically, these rights include all of the 50 percent share of the TSRs received by the Commission starting May 15, 2005, and in perpetuity under the Master Settlement Agreement.

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. The bonds of the Corporation are asset-backed instruments secured solely by the TSRs, and the Corporation's right to receive TSRs is expected to produce funding for its obligations.

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

### **36. TAXATION PUBLIC-PRIVATE PARTNERSHIP**

The Department of Taxation (Department) entered into a partnership agreement with CGI AMS (formerly American Management Systems, Inc. or AMS) in July 1998. Under this contract CGI AMS and Department personnel have created a dynamic environment that has made it easier for taxpayers to understand and comply with Virginia's tax requirements. A unique feature of the partnership was that any payments made under the contract were limited to additional revenue benefits realized by the Department from enhancements developed through the partnership. As of June 30, 2004, sufficient revenue benefits had been generated to fully fund the total contract cost. By November 2006, the final payment was made to CGI AMS, making the total cost of the project \$170.6 million. In December 2006, the remaining balance in the Fund, \$976,987, was transferred to the Commonwealth.

### **37. OXYCONTIN SETTLEMENTS**

During fiscal year 2007, lawsuits were filed related to OxyContin. As a result, the Commonwealth was party to three separate plea agreements. One agreement provided \$20 million for a prescription monitoring program. These amounts are recorded in the Prescription Monitoring Permanent Fund (Nonmajor) as the principal must remain intact. Under the terms of the second agreement, the Office of the Attorney General received \$39.8 million to be used by the Virginia Medicaid Fraud Control Unit. This amount is recorded as unearned revenue in the Other Special Revenue Fund (Nonmajor). Under the terms of the third agreement, the Department of State Police will receive \$44.2 million during fiscal years 2008 and 2009 to assist with enforcement activities, training, and equipment purchases.



## 38. 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 in the Internal Service Funds. The U.S. DHHS has received the 2008 cost allocation plan, which is based on state fiscal year 2006 data. The Commonwealth believes this liability has the potential to total \$305,292 as of June 30, 2007.

Virginia's combined overpayment and underpayment food stamp error rate for federal fiscal year 2006 was 6.96 percent. The national average combined error rate was 5.99 percent. A liability amount is established when, for the second or subsequent consecutive fiscal year, the USDA determines there is a 95 percent probability a State's payment error rate exceeds 105 percent of the national performance measure. Virginia fell within the tolerance level for 2006. Therefore, 2006 will not count as a first year of potential liability.

### 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 \$1.8 billion. The discretely presented component units have such debt of \$877.6 million.

### 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, 2007, the bailment inventory was valued at \$35,868,177.

## 39. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The GASB has issued accounting and reporting standards for other postemployment benefits. As discussed in Note 15, the Virginia Retirement System (VRS) has implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan*, in the System's published financial statements for the fiscal year ended June 30, 2007. The Commonwealth, as an employer, will implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2008. This Statement will require the Commonwealth to report obligations and funding status in the financial statements for the fiscal year 2008.

In addition to the VRS administered Life Insurance, Long-term Disability and Health Insurance Credit programs, the Commonwealth administers the Pre-Medicare Retiree Healthcare and the Line of Duty Death and Disability programs. Effective July 1, 2007, irrevocable trust funds were established to account for the financial activity of these two programs. As of June 30, 2007, the Commonwealth's estimated annual required contribution for all OPEBs is \$294.7 million and the estimated unfunded actuarial liabilities are \$2.1 billion.

## 40. SUBSEQUENT EVENTS

### Primary Government

In October 2007, the Virginia Public Building Authority issued \$242,480,000 in Public Facilities Revenue Bonds, Series 2007A to finance or refinance the acquisition, construction, improvement, rehabilitation, furnishing, and equipping of various public facilities for use by the Commonwealth and its agencies or the Commonwealth's share of various regional and local jails and juvenile detention facility projects.

In November 2007, the Commonwealth issued \$183,305,000 in General Obligation Bonds, Series 2007B to fund capital projects for educational facilities, parks and recreational facilities of the Commonwealth, and various institutions of higher education.

### Component Units

Subsequent to June 30, 2007, the Virginia Resource Authority closed two loans totaling \$991,614.

In August 2007, the Virginia Housing Development Authority issued Commonwealth Mortgage Bonds, Series A and Subseries A-Z totaling \$150,000,000. In addition, the Virginia Housing Development Authority issued a Bank of America Revolving Credit Facility totaling \$25,000,000.

Hampton Roads Sanitation District elected to participate in the Virginia Municipal League/Virginia Association of Counties Commercial Paper Financing Program. On August 15, 2007, Hampton Roads Sanitation District closed on a \$75 million debt instrument that provides funding for the District's capital program. The initial

draw of \$25 million was at an interest rate of 4.13 percent including all fees. The terms of the commercial paper include a 30-day reset period.

In September 2007, the Virginia Housing Development Authority issued Rental Housing Bonds, Series B and Series C totaling \$23,650,000. In addition, the Virginia Housing Development Authority redeemed \$12,775,000 in Commonwealth Mortgage Bonds.

On October 31, 2007, the Virginia College Building Authority issued \$216.9 million in Educational Facilities Revenue Bonds, Series 2007A and \$100.8 million in Educational Facilities Revenue Refunding Bonds, Series 2007B, (the "2007 Bonds") under the Public Higher Education Financing Program (the "Program"). The Authority used the proceeds of the 2007A Bonds (the "new money bonds") to acquire Institutional Notes from participating public institutions of higher education (the "Institutions") in the Commonwealth and the 2007B Bonds (the "refunding bonds") were used to refund certain outstanding maturities of prior series of the Authority's Educational Facilities Revenue Bonds. Each participating Institution will, in turn, use the proceeds of its Institutional Note to finance capital projects which have been approved by the General Assembly. The 2007 Bonds are the twelfth and thirteen series of bonds to be issued under the Program.

In November 2007, the Virginia Public School Authority issued \$223,080,000 of School Financing Bonds (1997 Resolution) Series 2007B to purchase certain general obligation local school bonds to finance capital projects for public schools.

## 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, 2007  
(Dollars in Thousands)

	General Fund			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Individual and Fiduciary Income	\$ 9,650,300	\$ 9,968,800	\$ 9,787,592	\$ (181,208)
Sales and Use	3,376,300	3,319,100	3,274,286	(44,814)
Corporation Income	787,600	901,400	879,575	(21,825)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	588,000	554,400	582,946	28,546
Premiums of Insurance Companies	416,400	384,600	384,894	294
Alcoholic Beverage Sales	154,900	158,400	161,845	3,445
Tobacco Products	194,100	187,000	186,920	(80)
Estate	145,000	160,400	152,864	(7,536)
Public Service Corporations	92,800	92,500	87,961	(4,539)
Other Taxes	17,000	26,500	19,229	(7,271)
Rights and Privileges	63,700	64,800	68,407	3,607
Sales of Property and Commodities	100	100	-	(100)
Assessments and Receipts for Support of Special Services	400	400	224	(176)
Institutional Revenue	9,200	8,800	7,169	(1,631)
Interest, Dividends, and Rents	200,568	248,472	229,007	(19,465)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	198,400	172,100	193,280	21,180
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	9,500	10,200	10,281	81
Private Donations, Gifts and Contracts	-	-	16	16
Tobacco Master Settlement	71,082	45,439	50,087	4,648
Other	59,023	65,773	60,894	(4,879)
<b>Total Revenues</b>	<b>16,034,373</b>	<b>16,369,184</b>	<b>16,137,477</b>	<b>(231,707)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	1,844,411	1,801,933	1,750,274	51,659
Education	7,734,667	7,658,804	7,592,975	65,829
Transportation	339,044	500,044	44	500,000
Resources and Economic Development	291,640	335,845	308,657	27,188
Individual and Family Services	3,983,324	4,010,002	3,919,109	90,893
Administration of Justice	2,213,653	2,239,237	2,220,203	19,034
Capital Outlay	68,171	430,654	175,713	254,941
<b>Total Expenditures</b>	<b>16,474,910</b>	<b>16,976,519</b>	<b>15,966,975</b>	<b>1,009,544</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(440,537)</b>	<b>(607,335)</b>	<b>170,502</b>	<b>777,837</b>
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	593,484	571,217	611,041	39,824
Transfers Out	(707,245)	(708,579)	(716,463)	(7,884)
<b>Total Other Financing Sources (Uses)</b>	<b>(113,761)</b>	<b>(137,362)</b>	<b>(105,422)</b>	<b>31,940</b>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(554,298)</b>	<b>(744,697)</b>	<b>65,080</b>	<b>809,777</b>
<b>Fund Balance, July 1</b>	<b>2,890,021</b>	<b>2,890,021</b>	<b>2,890,021</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 2,335,723</b>	<b>\$ 2,145,324</b>	<b>\$ 2,955,101</b>	<b>\$ 809,777</b>

See notes on page 159 in this section.

**Special Revenue Funds**

**Commonwealth Transportation Fund**

<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Final/Actual Variance Positive (Negative)</b>
\$ -	\$ -	\$ -	\$ -
500,269	487,335	495,669	8,334
-	-	-	-
902,923	887,892	884,808	(3,084)
615,377	578,865	588,480	9,615
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
35,115	58,191	38,853	(19,338)
507,096	415,149	491,222	76,073
556	556	9,286	8,730
17,575	19,560	18,902	(658)
-	-	-	-
16,551	26,318	115,884	89,566
21,608	10,991	10,210	(781)
1,349,189	1,475,173	635,578	(839,595)
88,353	135,985	53,333	(82,652)
-	-	-	-
-	-	-	-
103,564	1,197	38,913	37,716
<b>4,158,176</b>	<b>4,097,212</b>	<b>3,381,138</b>	<b>(716,074)</b>
2,301	2,301	2,194	107
2,400	2,400	2,381	19
4,095,300	4,316,685	3,101,713	1,214,972
18,548	18,383	15,783	2,600
-	-	-	-
7,737	7,958	7,898	60
51,618	72,500	15,996	56,504
4,177,904	4,420,227	3,145,965	1,274,262
(19,728)	(323,015)	235,173	558,188
171,200	171,316	181,813	10,497
(316,946)	(321,257)	(301,570)	19,687
(145,746)	(149,941)	(119,757)	30,184
(165,474)	(472,956)	115,416	588,372
1,760,960	1,760,960	1,760,960	-
<b>\$ 1,595,486</b>	<b>\$ 1,288,004</b>	<b>\$ 1,876,376</b>	<b>\$ 588,372</b>

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, 2007  
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Estate	-	-	-	-
Public Service Corporations	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	43	39	18	(21)
Sales of Property and Commodities	150	366	485	119
Assessments and Receipts for Support of Special Services	-	-	8	8
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	250	355	3,859	3,504
Fines, Forfeitures, Court Fees, Penalties, and Escheats	151	43	146	103
Federal Grants and Contracts	5,168,454	5,403,722	5,520,567	116,845
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	22,526	27,862	72,805	44,943
<b>Total Revenues</b>	<b>5,191,574</b>	<b>5,432,387</b>	<b>5,597,888</b>	<b>165,501</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	101,584	146,602	117,792	28,810
Education	802,936	905,117	874,608	30,509
Transportation	34,241	23,205	8,801	14,404
Resources and Economic Development	152,781	170,331	140,375	29,956
Individual and Family Services	4,026,329	4,095,788	4,403,382	(307,594)
Administration of Justice	56,005	64,394	41,664	22,730
Capital Outlay	17,655	26,907	12,078	14,829
<b>Total Expenditures</b>	<b>5,191,531</b>	<b>5,432,344</b>	<b>5,598,700</b>	<b>(166,356)</b>
Revenues Over (Under) Expenditures	43	43	(812)	(855)
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	-	-	10,870	10,870
Transfers Out	(43)	(43)	(10,058)	(10,015)
<b>Total Other Financing Sources (Uses)</b>	<b>(43)</b>	<b>(43)</b>	<b>812</b>	<b>855</b>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
<b>Fund Balance, July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See notes on page 159 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, 2007, to the fund balance on a modified accrual basis follows.

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	\$ 2,955,101	\$ 1,876,376	\$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	585,325	143,245	-
Tax Refunds	(306,942)	-	-
Other Revenue/Other Sources	19,516	95,488	406,382
Deferred Taxes (2)	(243,302)	-	-
Medicaid Payable	(190,914)	-	(194,274)
Accrued Expenditures/Other Uses	(835,095)	(162,277)	(156,514)
Fund Balance, Modified Accrual Basis	<u>\$ 1,983,689</u>	<u>\$ 1,952,832</u>	<u>\$ 55,594</u>

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.Q.

**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, 2007, except the Literary Fund which has no approved budget.

	General Fund (10)	Commonwealth Transportation Fund	Federal Trust Fund (11)
Appropriations (1)	\$ 16,474,910	\$ 4,177,904	\$ 5,191,531
Supplemental Appropriations:			
Reappropriations (2)	210,103	51,618	24,567
Subsequent Executive (3)	64,843	324,166	244,304
Subsequent Legislative (4)	350,658	(139,820)	7,412
Capital Outlay and Operating Reversions (5)	(245)	-	(315)
Deficit (6)	9,634	-	-
Transfers (7)	(257,185)	33,671	(16,301)
Capital Outlay Adjustment (8)	123,801	(29,021)	(18,854)
Debt Service Adjustment (9)	-	1,709	-
Appropriations, as adjusted	<u>\$ 16,976,519</u>	<u>\$ 4,420,227</u>	<u>\$ 5,432,344</u>

1. Represents the budget appropriated through Chapter 3, 2006 Acts of Assembly, as amended by Chapter 847, 2007 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 by the Governor to prevent agencies from incurring deficits. This deficit appropriation relates to the purchase of antiviral medications as part of a new federal Health and Human Services Pandemic Influenza Preparedness Plan.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.6 billion (General Fund) and \$1.1 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 Special Revenue Commonwealth Transportation Fund appropriations have been adjusted for debt service.
10. Prior year reversions of \$155.1 million are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
11. Appropriations do not include food stamp issuances of \$544 million since this is a noncash item; however, this amount is included in actual expenditures.

## Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Virginia Retirement System (VRS) **</b>						
2006	\$ 42,669	\$ 52,822	\$ 10,153	80.8%	\$ 13,002	78.1%
2005	40,372	49,628	9,256	81.3%	12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
2003	39,243	40,698	1,455	96.4%	10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
2001	37,968	35,384	(2,584)	107.3%	10,145	(25.5%)
* 2000	34,392	32,643	(1,749)	105.4%	9,529	(18.4%)
1999	29,804	31,419	1,615	94.9%	9,138	17.7%
** 1998	25,481	29,027	3,546	87.8%	8,638	41.1%
* 1996	19,032	23,842	4,810	79.8%	7,769	61.9%
<b>State Police Officers' Retirement System (SPORS)</b>						
2006	\$ 539	\$ 730	\$ 191	73.8%	\$ 94	203.2%
2005	514	673	159	76.4%	91	174.7%
2004	511	656	145	77.9%	82	176.8%
2003	509	616	107	82.6%	79	135.4%
2002	508	595	87	85.4%	81	107.4%
2001	495	557	62	88.9%	83	74.7%
* 2000	441	513	72	86.0%	81	88.9%
1999	377	463	86	81.4%	77	111.7%
** 1998	322	425	103	75.8%	65	158.5%
* 1996	243	371	128	65.5%	60	213.3%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>						
2006	\$ 656	\$ 1,096	\$ 440	59.9%	\$ 321	137.1%
2005	575	980	405	58.7%	307	131.9%
2004	509	927	418	54.9%	298	140.3%
2003	458	854	396	53.6%	292	135.6%
2002	418	806	388	51.9%	306	126.8%
2001	393	628	235	62.6%	320	73.4%
*** 2000	307	680	373	45.1%	315	118.4%
<b>Judicial Retirement System (JRS)</b>						
2006	\$ 302	\$ 424	\$ 122	71.2%	\$ 54	225.9%
2005	288	402	114	71.6%	52	219.2%
2004	285	366	81	77.9%	48	168.8%
2003	282	348	66	81.0%	48	137.5%
2002	281	352	71	79.8%	48	147.9%
2001	277	342	65	81.0%	47	138.3%
* 2000	245	330	85	74.2%	45	188.9%
1999	210	302	92	69.5%	42	219.0%
** 1998	180	274	94	65.7%	39	241.0%
* 1996	138	243	105	56.8%	36	291.7%

\* Revised economic and demographic assumptions due to experience study.

\*\* Change in benefit formula, unreduced early retirement age and in the actuarial amortization method.

\*\*\* The first actuarial valuation for the Virginia Law Officers' Retirement System, established on October 1, 1999, was performed as of June 30, 2000.

See Notes on following page.



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Notes:	Valuation Date:	June 30, 2006
	Actuarial Cost Method:	Entry Age Normal
	Amortization Method:	
	State Employees	Level percent, closed
	Teachers	Level percent, closed
	Political Subdivision Employees	Level percent, closed
	State Police / VA Law Officers / Judges	Level percent, closed
	Payroll Growth Rate:	
	State Employees	3.00%
	Teachers	3.00%
	Political Subdivision Employees	2.50%
	State Police / VA Law Officers / Judges	3.00%
	Remaining Amortization Period:	
	State Employees	20 years
	Teachers	20 years
	Political Subdivision Employees	20 years
	State Police / VA Law Officers / Judges	20 years
	Asset Valuation Method:	5 year Smoothed Market
	Actuarial Assumptions:	
	Investment Rate of Return (1)	7.50%
	Projected Salary Increases (1)	
	State Employees	3.75% to 5.60%
	Teachers	3.75% to 6.20%
	Political Subdivision Employees (Non-Hazardous Duty Employees)	3.75% to 5.60%
	Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%
	State Police / VA Law Officers / Judges	3.50% to 4.75%
	Cost of Living Adjustments	2.50%

(1) Includes inflation at 2.50%.

**Funding Progress for Other Post-Employment Benefit Plans**

(Dollars in Thousands)

<b>Actuarial Valuation Date June 30</b>	<b>Actuarial Value of Assets [a]</b>	<b>Actuarial Accrued Liability (AAL) [b]</b>	<b>Unfunded AAL (UAAL) [b-a]</b>	<b>Funded Ratio [a/b]</b>	<b>Covered Payroll [c]</b>	<b>UAAL as a Percentage of Covered Payroll [b-a]/[c]</b>
<b><i>Group Life Insurance Fund</i></b>						
* 2006	\$ 751,361	\$ 1,435,740	\$ 684,379	52.3%	\$ 13,922,762	4.9%
<b><i>Retiree Health Insurance Credit Fund</i></b>						
* 2006	\$ 175,223	\$ 1,315,961	\$ 1,140,738	13.3%	\$ 9,964,627	11.4%
<b><i>Disability Insurance Trust Fund</i></b>						
* 2006	\$ 191,872	\$ 422,886	\$ 231,014	45.4%	\$ 3,715,897	6.2%

\* 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43. There is no Schedule of Employer Contributions included in this report since the first contributions paid based on the valuation using the GASB Statement No. 43 parameters did not occur until fiscal year 2008. These results will be included in the fiscal year 2008 CAFR and Schedule of Employer Contributions.

See Notes on following page.

Notes:

	<u>Group Life Insurance Fund</u>	<u>Retiree Health Insurance Credit Fund</u>	<u>Disability Insurance Trust Fund</u>
Valuation Date	June 30, 2006	June 30, 2006	June 30, 2006
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization Method	Level Percent, Open	Level Percent, Open	Level Percent, Open
Payroll Growth Rate:			
State Employees	3.00%	3.00%	3.00%
Teachers	3.00%	3.00%	3.00%
Political Subdivision Employees	2.50%	2.50%	2.50%
State Police / VA Law Officers / Judges	3.00%	3.00%	3.00%
Remaining Amortization Period	30 years	30 years	30 years
Asset Valuation Method	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value
Actuarial Assumptions:			
Investment Rate of Return (1)	7.50%	7.50%	7.50%
Projected Salary Increases (1)			
State Employees	3.75% to 5.60%	N/A	3.75% to 5.60%
Teachers	3.75% to 6.20%	N/A	3.75% to 6.20%
Political Subdivision Employees (Non-Hazardous Duty)	3.75% to 5.60%	N/A	3.75% to 5.60%
Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%	N/A	3.50% to 4.75%
State Police / VA Law Officers / Judges	3.50% to 4.75%	N/A	3.50% to 4.75%
Judges	3.50%	N/A	3.50%

(1) Includes inflation at 2.50%.

## 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	1998	1999	2000	2001
1. Required contribution and investment revenue:				
Earned	\$ 7,537	\$ 6,780	\$ 6,478	\$ 5,814
Ceded (a)	-	-	-	-
Net earned	7,537	6,780	6,478	5,814
2. Unallocated expenses	464	703	1,223	1,863
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	2,760	2,719	2,263	2,688
Ceded (a)	-	-	-	-
Net incurred	2,760	2,719	2,263	2,688
4. Net paid (cumulative) as of:				
End of policy year	434	439	196	336
One year later	2,651	2,100	2,688	1,628
Two years later	3,261	2,938	3,322	2,388
Three years later	3,894	4,555	3,369	2,490
Four years later	4,183	4,873	3,447	2,530
Five years later	4,272	4,931	4,042	2,616
Six years later	4,314	5,144	4,062	2,616
Seven years later	4,327	5,144	4,069	
Eight years later	4,332	5,175		
Nine years later	4,473			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	2,760	2,719	2,263	2,688
One year later	4,080	5,509	4,801	3,752
Two years later	3,934	5,997	4,467	3,318
Three years later	4,565	5,769	3,589	3,270
Four years later	4,353	5,146	3,575	3,186
Five years later	4,378	5,955	4,211	3,171
Six years later	4,419	6,017	4,236	3,171
Seven years later	4,383	6,017	4,212	
Eight years later	4,484	5,265		
Nine years later	5,494			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	2,734	2,546	1,949	483

The Commonwealth provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987. For fiscal years 1992-2000, this insurance coverage was provided through the Department of General Services, Division of Risk Management. Effective July 1, 2000, this coverage was provided through the Department of Treasury, Division of Risk Management.

See Notes on page 168 in this section.

	2002	2003	2004	2005	2006	2007
\$	5,324	\$ 5,740	\$ 5,729	\$ 5,788	\$ 6,166	\$ 6,560
	-	-	-	-	-	-
	5,324	5,740	5,729	5,788	6,166	6,560
	924	918	1,209	1,068	1,008	1,047
	4,110	3,488	2,861	2,790	1,539	2,060
	-	-	-	-	-	-
	4,110	3,488	2,861	2,790	1,539	2,060
	550	380	161	227	177	106
	1,979	1,894	1,072	1,699	745	
	2,291	2,181	1,420	2,079		
	2,556	2,375	1,539			
	2,864	2,435				
	2,900					
	-	-	-	-	-	-
	4,110	3,488	2,861	2,790	1,539	2,060
	4,458	3,237	3,302	3,563	2,168	
	4,196	2,910	2,306	3,418		
	3,734	2,619	1,700			
	3,299	2,447				
	3,566					
	(544)	(1,041)	(1,161)	628	629	-

## 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	1998	1999	2000	2001
1. Required contribution and investment revenue:				
Earned	\$ 54,089	\$ 64,419	\$ 75,569	\$ 88,313
Ceded (a)	-	-	-	-
Net earned	54,089	64,419	75,569	88,313
2. Unallocated expenses	5,286	6,632	6,997	7,203
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	60,657	70,719	76,816	87,222
Ceded (a)	-	-	-	-
Net incurred	60,657	70,719	76,816	87,222
4. Net paid (cumulative) as of:				
End of policy year	53,219	62,219	68,336	74,579
One year later	-	-	-	-
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	60,657	70,719	74,417	87,222
One year later	60,657	70,719	74,417	87,222
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	-	-	(2,399)	-

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 168 in this section.

	2002	2003	2004	2005	2006	2007
\$	100,836	\$ 118,825	\$ 137,582	\$ 157,959	\$ 184,360	\$ 202,366
	-	-	-	-	-	-
	100,836	118,825	137,582	157,959	184,360	202,366
	6,225	6,171	6,271	10,655	11,899	13,782
	95,860	104,453	124,887	144,976	152,289	163,787
	-	-	-	-	-	-
	95,860	104,453	124,887	144,976	152,289	163,787
	80,974	99,443	99,656	140,452	147,534	159,769
	-	-	-	-	-	-
	N/A	N/A	N/A	N/A		
	N/A	N/A	N/A			
	N/A	N/A				
	N/A					
	-	-	-	-	-	-
	95,860	104,453	124,887	144,976	152,289	163,787
	95,860	104,453	124,887	144,976	152,289	
	N/A	N/A	N/A	N/A		
	N/A	N/A	N/A			
	N/A	N/A				
	N/A					
	-	-	-	-	-	-

## Notes for Claims Development Information Tables

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The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the Funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the Funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

### Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.



# Combining and Individual Fund Statements and Schedules



# Nonmajor Governmental Funds

## Special Revenue Funds:

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

**The Health and Social Services Special Revenue Fund** accounts for revenues and expenditures related to local health care assistance.

**The Water Quality Improvement Fund** accounts for sums appropriated by the General Assembly and for other funds from any public or private source. Funds are used for water quality improvement grants to assist in pollution prevention and reduction.

**The Other Special Revenue Fund** accounts for revenues and expenditures related to business and agricultural activities, and miscellaneous activities throughout the Commonwealth.

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## Debt Service Funds:

*The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Assets.*

**Primary Government** accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, mental health, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

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## Capital Project Funds:

*The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.*

**Primary Government** accounts for the financial resources acquired through the issuance of General Obligation Bonds and Energy Performance Contracts. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

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## Permanent Funds:

*Permanent Funds are funds whose principal must remain intact.*

**Commonwealth Health Research Fund** provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such as a condition of a legal settlement.

restricted for use as such as a condition of a legal settlement.

**Prescription Monitoring Program** provides funds to establish, maintain, and administer an electronic system to monitor the dispensing of controlled substances benefiting the Commonwealth's citizens. The entire fund balance is

**Mental Health Endowment Funds** provide funds for the welfare of patients in mental health facilities. The entire fund balance is restricted for use as such.

**Combining Balance Sheet – Nonmajor Governmental Funds**

June 30, 2007

(Dollars in Thousands)

	Special Revenue Funds			
	Health and Social Services	Water Quality Improvement Fund	Other	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 145,541	\$ 382,178	\$ 473,060	\$ 1,000,779
Investments	10,829	83,539	45,824	140,192
Receivables	37,029	-	44,460	81,489
Due From Other Funds	-	-	7,323	7,323
Due From External Parties (Fiduciary Funds)	-	-	74	74
Interfund Receivable	-	-	69,365	69,365
Inventory	7,316	-	356	7,672
Prepaid Items	7,996	-	1,542	9,538
Other Assets	31	-	781	812
Loans Receivable from Component Units	-	-	14,984	14,984
<b>Total Assets</b>	<b>\$ 208,742</b>	<b>\$ 465,717</b>	<b>\$ 657,769</b>	<b>\$ 1,332,228</b>
<b>Liabilities and Fund Balances</b>				
Accounts Payable	\$ 25,048	\$ 205	\$ 29,213	\$ 54,466
Amounts Due to Other Governments	-	-	1,411	1,411
Due to Other Funds	2,331	-	2,113	4,444
Due to Component Units	-	-	-	-
Interfund Payable	-	-	-	-
Deferred Revenue	1,756	-	12,606	14,362
Unearned Revenue	1,668	-	50,191	51,859
Obligations Under Securities Lending Program	8,297	104,744	53,198	166,239
Other Liabilities	-	-	8,081	8,081
Long-term Liabilities Due Within One Year	126	-	50	176
<b>Total Liabilities</b>	<b>39,226</b>	<b>104,949</b>	<b>156,863</b>	<b>301,038</b>
Fund Balances Reserved for:				
Inventory	7,316	-	356	7,672
Prepaid Items	7,996	-	1,542	9,538
Debt Service	-	-	-	-
Gifts and Grants	13,140	-	22,082	35,222
Capital Acquisition	-	-	567	567
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	141,064	360,768	476,359	978,191
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
<b>Total Fund Balances (Deficit)</b>	<b>169,516</b>	<b>360,768</b>	<b>500,906</b>	<b>1,031,190</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 208,742</b>	<b>\$ 465,717</b>	<b>\$ 657,769</b>	<b>\$ 1,332,228</b>

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ 97,317	\$ -	\$ 97,317	\$ 133,874	\$ -	\$ 133,874
-	-	-	159	-	159
-	-	-	4	196	200
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 97,317</u>	<u>\$ -</u>	<u>\$ 97,317</u>	<u>\$ 134,037</u>	<u>\$ 196</u>	<u>\$ 134,233</u>
\$ -	\$ -	\$ -	\$ 4,387	\$ 15,096	\$ 19,483
-	-	-	-	-	-
-	-	-	29	103	132
-	-	-	24,774	15	24,789
-	-	-	-	8,329	8,329
-	-	-	-	-	-
-	-	-	199	-	199
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	29,389	23,543	52,932
-	-	-	-	-	-
-	-	-	-	-	-
97,317	-	97,317	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	104,648	(23,347)	81,301
-	-	-	-	-	-
<u>97,317</u>	<u>-</u>	<u>97,317</u>	<u>104,648</u>	<u>(23,347)</u>	<u>81,301</u>
<u>\$ 97,317</u>	<u>\$ -</u>	<u>\$ 97,317</u>	<u>\$ 134,037</u>	<u>\$ 196</u>	<u>\$ 134,233</u>

Continued on next page

**Combining Balance Sheet – Nonmajor Governmental Funds** (Continued from previous page)

June 30, 2007

(Dollars in Thousands)

	Permanent Funds			Total
	Commonwealth Health Research Board	Prescription Monitoring Fund	Mental Health Endowment Funds	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 37	\$ 21,270	\$ 255	\$ 21,562
Investments	32,857	4,650	-	37,507
Receivables	4	-	-	4
Due From Other Funds	-	-	-	-
Due From External Parties (Fiduciary Funds)	-	-	-	-
Interfund Receivable	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	-	-	-	-
Other Assets	-	-	-	-
Loans Receivable from Component Units	-	-	-	-
<b>Total Assets</b>	<b>\$ 32,898</b>	<b>\$ 25,920</b>	<b>\$ 255</b>	<b>\$ 59,073</b>
<b>Liabilities and Fund Balances</b>				
Accounts Payable	\$ 15	\$ -	\$ -	\$ 15
Amounts Due to Other Governments	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Component Units	-	-	-	-
Interfund Payable	-	-	-	-
Deferred Revenue	-	-	-	-
Unearned Revenue	-	-	-	-
Obligations Under Securities Lending Program	10	5,830	-	5,840
Other Liabilities	-	-	-	-
Long-term Liabilities Due Within One Year	-	-	-	-
<b>Total Liabilities</b>	<b>25</b>	<b>5,830</b>	<b>-</b>	<b>5,855</b>
Fund Balances Reserved for:				
Inventory	-	-	-	-
Prepaid Items	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Acquisition	-	-	-	-
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Funds	32,873	20,090	255	53,218
<b>Total Fund Balances (Deficit)</b>	<b>32,873</b>	<b>20,090</b>	<b>255</b>	<b>53,218</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,898</b>	<b>\$ 25,920</b>	<b>\$ 255</b>	<b>\$ 59,073</b>

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**Total  
Nonmajor  
Governmental  
Funds**

\$	1,253,532
	177,858
	81,693
	7,323
	74
	69,365
	7,672
	9,538
	812
	14,984
<b>\$</b>	<b>1,622,851</b>

\$	73,964
	1,411
	4,576
	24,789
	8,329
	14,362
	51,859
	172,278
	8,081
	176
	359,825

	7,672
	9,538
	97,317
	35,222
	567
	978,191
	81,301
	53,218
	1,263,026
<b>\$</b>	<b>1,622,851</b>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Nonmajor Governmental Funds**

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Special Revenue Funds			Total
	Health and Social Services	Water Quality Improvement Fund	Other	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 77,116	\$ 77,116
Rights and Privileges	102,376	-	162,884	265,260
Institutional Revenue	305,991	-	46,753	352,744
Interest, Dividends, Rents, and Other Investment Income	3,165	16,431	20,555	40,151
Federal Grants and Contracts	7,203	-	-	7,203
Other	115,624	2	228,086	343,712
<b>Total Revenues</b>	<b>534,359</b>	<b>16,433</b>	<b>535,394</b>	<b>1,086,186</b>
<b>Expenditures</b>				
Current:				
General Government	927	-	102,220	103,147
Education	2,557	-	27,216	29,773
Transportation	-	-	5,515	5,515
Resources and Economic Development	32,505	40,098	262,487	335,090
Individual and Family Services	501,768	-	51,607	553,375
Administration of Justice	109	-	72,174	72,283
Capital Outlay	256	-	35,471	35,727
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
<b>Total Expenditures</b>	<b>538,122</b>	<b>40,098</b>	<b>556,690</b>	<b>1,134,910</b>
Revenues Over (Under) Expenditures	(3,763)	(23,665)	(21,296)	(48,724)
<b>Other Financing Sources (Uses)</b>				
Transfers In	27,498	218,214	68,850	314,562
Transfers Out	(15,209)	(157)	(28,781)	(44,147)
Notes Issued	-	-	16	16
Insurance Recoveries	152	-	1,676	1,828
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	-	-	57	57
Payment to Refunded Bond Escrow Agent	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>12,441</b>	<b>218,057</b>	<b>41,818</b>	<b>272,316</b>
Net Change in Fund Balances	8,678	194,392	20,522	223,592
Fund Balance (Deficit), July 1, as restated	160,838	166,376	480,384	807,598
Fund Balance (Deficit), June 30	<u>\$ 169,516</u>	<u>\$ 360,768</u>	<u>\$ 500,906</u>	<u>\$ 1,031,190</u>



Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,785	-	3,785	4,017	4,707	8,724
-	-	-	-	-	-
7,530	-	7,530	-	-	-
<u>11,315</u>	<u>-</u>	<u>11,315</u>	<u>4,017</u>	<u>4,707</u>	<u>8,724</u>
-	-	-	-	-	-
-	-	-	-	-	-
1	-	1	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	222,153	320,368	542,521
233,921	88,135	322,056	-	-	-
133,540	58,202	191,742	-	-	-
<u>367,462</u>	<u>146,337</u>	<u>513,799</u>	<u>222,153</u>	<u>320,368</u>	<u>542,521</u>
<u>(356,147)</u>	<u>(146,337)</u>	<u>(502,484)</u>	<u>(218,136)</u>	<u>(315,661)</u>	<u>(533,797)</u>
358,715	146,173	504,888	91	-	91
-	-	-	(1)	(123)	(124)
-	-	-	13,452	-	13,452
-	-	-	-	-	-
-	-	-	242,875	350,065	592,940
8,770	-	8,770	12,638	19,133	31,771
<u>123,070</u>	<u>-</u>	<u>123,070</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>(131,356)</u>	<u>-</u>	<u>(131,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>359,199</u>	<u>146,173</u>	<u>505,372</u>	<u>269,055</u>	<u>369,075</u>	<u>638,130</u>
3,052	(164)	2,888	50,919	53,414	104,333
94,265	164	94,429	53,729	(76,761)	(23,032)
<u>\$ 97,317</u>	<u>\$ -</u>	<u>\$ 97,317</u>	<u>\$ 104,648</u>	<u>\$ (23,347)</u>	<u>\$ 81,301</u>

Continued on next page

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Nonmajor Governmental Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Permanent Funds			
	Commonwealth	Prescription Monitoring Fund	Mental	Total
	Health		Health	
	Research Board		Endowment Funds	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Rights and Privileges	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, Rents, and Other Investment Income	4,520	120	11	4,651
Federal Grants and Contracts	-	-	-	-
Other	-	20,000	-	20,000
<b>Total Revenues</b>	<b>4,520</b>	<b>20,120</b>	<b>11</b>	<b>24,651</b>
<b>Expenditures</b>				
Current:				
General Government	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Resources and Economic Development	-	-	-	-
Individual and Family Services	989	30	4	1,023
Administration of Justice	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
<b>Total Expenditures</b>	<b>989</b>	<b>30</b>	<b>4</b>	<b>1,023</b>
Revenues Over (Under) Expenditures	3,531	20,090	7	23,628
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Notes Issued	-	-	-	-
Insurance Recoveries	-	-	-	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	3,531	20,090	7	23,628
Fund Balance (Deficit), July 1, as restated	29,342	-	248	29,590
Fund Balance (Deficit), June 30	<u>\$ 32,873</u>	<u>\$ 20,090</u>	<u>\$ 255</u>	<u>\$ 53,218</u>

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**Total  
Nonmajor  
Governmental  
Funds**

\$	77,116
	265,260
	352,744
	57,311
	7,203
	371,242
	<u>1,130,876</u>
	103,147
	29,773
	5,516
	335,090
	554,398
	72,283
	578,248
	322,056
	191,742
	<u>2,192,253</u>
	(1,061,377)
	819,541
	(44,271)
	13,468
	1,828
	592,940
	40,541
	123,070
	57
	<u>(131,356)</u>
	1,415,818
	354,441
	908,585
\$	<u><u>1,263,026</u></u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Nonmajor Special Revenue Funds**

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Health and Social Services			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Motor Fuel	\$ -	\$ -	\$ -	\$ -
Deeds, Contracts, Suits	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Public Service Corporations	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	75,933	104,855	102,388	(2,467)
Sales of Property and Commodities	19,939	15,996	16,304	308
Assessments and Receipts for Support of Special Services	-	-	2	2
Institutional Revenue	269,556	293,640	305,758	12,118
Interest, Dividends, and Rents	734	886	2,164	1,278
Fines, Forfeitures, Court Fees, Penalties, and Escheats	5,026	797	914	117
Federal Grants and Contracts	-	-	7,203	7,203
Receipts from Cities, Counties, and Towns	57,864	60,970	60,295	(675)
Private Donations, Gifts and Contracts	3,580	4,085	7,756	3,671
Other	40,147	48,473	33,569	(14,904)
<b>Total Revenues</b>	<b>472,779</b>	<b>529,702</b>	<b>536,353</b>	<b>6,651</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	161	161	161	-
Education	1,387	3,360	2,548	812
Transportation	-	-	-	-
Resources and Economic Development	35,282	35,992	32,255	3,737
Individual and Family Services	473,375	524,956	492,952	32,004
Administration of Justice	109	109	109	-
Capital Outlay	172	487	145	342
<b>Total Expenditures</b>	<b>510,486</b>	<b>565,065</b>	<b>528,170</b>	<b>36,895</b>
Revenues Over (Under) Expenditures	(37,707)	(35,363)	8,183	43,546
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	23,442	23,442	27,498	4,056
Transfers Out	(828)	(7,354)	(15,209)	(7,855)
<b>Total Other Financing Sources (Uses)</b>	<b>22,614</b>	<b>16,088</b>	<b>12,289</b>	<b>(3,799)</b>
<b>Revenues and Other Sources Over (Under)</b>				
Expenditures and Other Uses	(15,093)	(19,275)	20,472	39,747
<b>Fund Balance, July 1, as restated</b>	<b>126,047</b>	<b>126,047</b>	<b>126,047</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 110,954</b>	<b>\$ 106,772</b>	<b>\$ 146,519</b>	<b>\$ 39,747</b>

See Notes on page 182 in this section.

Water Quality Improvement Fund				Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 39,733	\$ 37,020	\$ 36,128	\$ (892)
-	-	-	-	-	1,991	836	(1,155)
-	-	-	-	850	877	880	3
-	-	-	-	102	83	85	2
-	-	-	-	6,116	6,050	6,038	(12)
-	-	-	-	29,960	29,452	29,588	136
-	-	-	-	208,887	179,375	161,221	(18,154)
-	-	-	-	8,701	7,299	6,128	(1,171)
-	-	-	-	95,710	89,191	90,487	1,296
-	-	-	-	116,709	77,767	46,324	(31,443)
5,600	7,358	16,431	9,073	9,139	10,709	20,605	9,896
-	-	-	-	48,554	51,423	49,281	(2,142)
-	-	-	-	-	-	-	-
-	-	-	-	5,005	5,096	4,836	(260)
-	-	-	-	1,227	1,205	4,209	3,004
-	-	2	2	92,311	90,339	77,662	(12,677)
5,600	7,358	16,433	9,075	663,004	587,877	534,308	(53,569)
-	-	-	-	-	-	-	-
-	-	-	-	98,444	121,184	103,060	18,124
-	-	-	-	73,786	76,330	26,777	49,553
-	-	-	-	5,849	5,874	5,250	624
223,901	251,114	39,893	211,221	294,077	312,931	257,207	55,724
-	-	-	-	50,658	53,232	48,707	4,525
-	-	-	-	133,237	78,119	71,024	7,095
-	-	-	-	33,796	67,649	34,064	33,585
223,901	251,114	39,893	211,221	689,847	715,319	546,089	169,230
(218,301)	(243,756)	(23,460)	220,296	(26,843)	(127,442)	(11,781)	115,661
-	-	-	-	-	-	-	-
212,800	218,214	218,214	-	40,717	47,109	68,850	21,741
-	-	(157)	(157)	(18,471)	(18,427)	(28,781)	(10,354)
212,800	218,214	218,057	(157)	22,246	28,682	40,069	11,387
(5,501)	(25,542)	194,597	220,139	(4,597)	(98,760)	28,288	127,048
166,376	166,376	166,376	-	477,615	477,615	477,615	-
\$ 160,875	\$ 140,834	\$ 360,973	\$ 220,139	\$ 473,018	\$ 378,855	\$ 505,903	\$ 127,048

**Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds**

**1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE**

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, 2007, to the fund balance on a modified accrual basis follows.

*(Dollars in Thousands)*

	<b>Health and Social Services</b>	<b>Water Quality Improvement Fund</b>	<b>Other</b>
Fund Balance, Basis of Budgeting	\$ 146,519	\$ 360,973	\$ 505,903
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	-	-	7,342
Other Revenue	33,555	-	17,780
Accrued Expenditures	(11,569)	(205)	(27,938)
Fund Reclassification - Budget to Modified Accrual	1,011	-	(2,181)
Fund Balance, Modified Accrual Basis	<u>\$ 169,516</u>	<u>\$ 360,768</u>	<u>\$ 500,906</u>

**2. APPROPRIATIONS**

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2007.

*(Dollars in Thousands)*

	<b>Health and Social Services</b>	<b>Water Quality Improvement Fund</b>	<b>Other</b>
Appropriations (1)	\$ 510,486	\$ 223,901	\$ 689,847
Supplemental Appropriations:			
Reappropriations (2)	922	-	143,787
Subsequent Executive (3)	30,194	21,400	49,310
Subsequent Legislative (4)	21,579	-	2,944
Capital Outlay Reversions (5)	-	-	(13,747)
Transfers (6)	2,491	5,813	(57,397)
Capital Outlay Adjustment (7)	(607)		(99,425)
Appropriations, as adjusted	<u>\$ 565,065</u>	<u>\$ 251,114</u>	<u>\$ 715,319</u>

1. Represents the budget appropriated through Chapter 3, 2006 Acts of Assembly, as amended by Chapter 847, 2007 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

# Nonmajor Enterprise Funds

## Enterprise Funds:

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

**Department of Alcoholic Beverage Control** operates facilities for the distribution and sale of distilled spirits and wine.

**Risk Management** accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

**Local Choice Health Care** administers a health care plan for the employees of participating local governments.

**Virginia Industries for the Blind** manufactures products for sale to governments, certain private organizations, and the general public.

**Consolidated Laboratory** provides water testing services and a newborn screening program.

**eVA Procurement System** accounts for the statewide electronic procurement system.

**Department of Environmental Quality** accounts for the Title V program that offers services to the general public.

**Wireless E-911 Service Board** assists in the establishment of wireless E-911 service in Virginia localities.

**Virginia Information Providers Network** provides for the centralized marketing, provision, leasing or executing of license agreements for access online or in volume. During fiscal year 2007, these functions were transferred to the Internal Service Fund of the Virginia Information Technologies Agency.

**Virginia Museum of Fine Arts** accounts for gift shop and food service activities.

**Science Museum of Virginia** accounts for gift shop activities.

**Mental Health Local Funds** account for the canteen store and work activity programs.

**Library of Virginia** accounts for book shop activities.

**School for the Deaf and Blind – Staunton** accounts for the Student Center activity. During fiscal year 2007, accounting for this activity was consolidated in the School's special revenue fund.

**The Pocahontas Parkway** accounts for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government). Previously, this fund was reported as a Major Enterprise Fund. The only transaction related to the Association shown in the financial statements for 2007 is the transfer of its remaining cash of \$877,879 to Transurban LLC.

**Combining Statement of Net Assets – Nonmajor Enterprise Funds**

June 30, 2007

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,210	\$ 28,033	\$ 76,548	\$ 6,360
Investments	483	6,128	16,732	-
Receivables (Net)	5,398	16	17,808	590
Due From Other Funds	-	-	-	-
Inventory	42,580	-	-	3,435
Prepaid Items	1,271	-	-	-
Other Assets	160	-	-	1
Total Current Assets	<u>52,102</u>	<u>34,177</u>	<u>111,088</u>	<u>10,386</u>
Noncurrent Assets:				
Investments	-	-	-	-
Other Assets	213	-	-	-
Nondepreciable Capital Assets	1,828	-	-	889
Depreciable Capital Assets, Net	20,945	-	-	6,370
Total Noncurrent Assets	<u>22,986</u>	<u>-</u>	<u>-</u>	<u>7,259</u>
Total Assets	<u>75,088</u>	<u>34,177</u>	<u>111,088</u>	<u>17,645</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	27,718	147	6,031	906
Amounts Due to Other Governments	-	-	-	-
Due to Other Funds	7,282	3	-	8
Interfund Payable	28,623	-	-	-
Unearned Revenue	211	540	-	-
Obligations Under Securities Lending Program	606	7,683	20,979	-
Other Liabilities	-	-	-	-
Claims Payable Due Within One Year	-	5,076	16,549	-
Long-term Liabilities Due Within One Year	3,347	40	-	162
Total Current Liabilities	<u>67,787</u>	<u>13,489</u>	<u>43,559</u>	<u>1,076</u>
Noncurrent Liabilities:				
Interfund Payable	-	-	-	-
Claims Payable Due in More Than One Year	-	7,625	-	-
Long-term Liabilities Due in More Than One Year	15,707	102	-	454
Total Noncurrent Liabilities	<u>15,707</u>	<u>7,727</u>	<u>-</u>	<u>454</u>
Total Liabilities	<u>83,494</u>	<u>21,216</u>	<u>43,559</u>	<u>1,530</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	20,163	-	-	7,259
Unrestricted	(28,569)	12,961	67,529	8,856
Total Net Assets (Deficit)	<u>\$ (8,406)</u>	<u>\$ 12,961</u>	<u>\$ 67,529</u>	<u>\$ 16,115</u>



<u>Consolidated Laboratory</u>	<u>eVA Procurement System</u>	<u>Department of Environmental Quality</u>	<u>Wireless E-911 Service Board</u>	<u>Virginia Information Providers Network</u>	<u>Virginia Museum of Fine Arts</u>	<u>Science Museum of Virginia</u>
\$ 4,144	\$ 8,900	\$ 9,159	\$ 22,238	\$ -	\$ 430	\$ 180
-	-	2,002	4,861	-	-	-
94	6,065	-	5,727	-	115	1
-	1,851	-	-	-	-	-
65	-	-	-	-	276	83
-	-	-	-	-	-	-
-	-	-	-	-	5	-
<u>4,303</u>	<u>16,816</u>	<u>11,161</u>	<u>32,826</u>	<u>-</u>	<u>826</u>	<u>264</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
599	-	-	60	-	-	11
<u>599</u>	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>11</u>
<u>4,902</u>	<u>16,816</u>	<u>11,161</u>	<u>32,886</u>	<u>-</u>	<u>826</u>	<u>275</u>
212	1,411	9	3,107	-	38	23
-	-	-	6,571	-	-	-
18	20	1,196	4	-	-	-
-	800	-	-	-	-	-
2,164	-	-	-	-	-	1
-	-	2,510	6,095	-	-	-
-	-	-	-	-	78	-
-	-	-	-	-	-	-
131	76	442	22	-	10	-
<u>2,525</u>	<u>2,307</u>	<u>4,157</u>	<u>15,799</u>	<u>-</u>	<u>126</u>	<u>24</u>
-	5,600	-	-	-	-	-
-	-	-	-	-	-	-
406	264	1,343	109	-	146	37
406	5,864	1,343	109	-	146	37
<u>2,931</u>	<u>8,171</u>	<u>5,500</u>	<u>15,908</u>	<u>-</u>	<u>272</u>	<u>61</u>
599	-	-	60	-	-	11
1,372	8,645	5,661	16,918	-	554	203
<u>\$ 1,971</u>	<u>\$ 8,645</u>	<u>\$ 5,661</u>	<u>\$ 16,978</u>	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ 214</u>

Continued on next page

**Combining Statement of Net Assets – Nonmajor Enterprise Funds** (Continued from previous page)

June 30, 2007

(Dollars in Thousands)

	<u>Mental Health Local Funds</u>	<u>Library of Virginia</u>	<u>School for the Deaf and Blind - Staunton</u>	<u>Pocahontas Parkway</u>	<u>Total</u>
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 472	\$ -	\$ -	\$ -	\$ 158,674
Investments	-	-	-	-	30,206
Receivables (Net)	-	4	-	-	35,818
Due From Other Funds	-	-	-	-	1,851
Inventory	-	178	-	-	46,617
Prepaid Items	-	-	-	-	1,271
Other Assets	-	-	-	-	166
<b>Total Current Assets</b>	<b>472</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>274,603</b>
Noncurrent Assets:					
Investments	1	-	-	-	1
Other Assets	-	-	-	-	213
Nondepreciable Capital Assets	-	-	-	-	2,717
Depreciable Capital Assets, Net	-	-	-	-	27,985
<b>Total Noncurrent Assets</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,916</b>
<b>Total Assets</b>	<b>473</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>305,519</b>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	-	37	-	-	39,639
Amounts Due to Other Governments	-	-	-	-	6,571
Due to Other Funds	-	-	-	-	8,531
Interfund Payable	-	-	-	-	29,423
Unearned Revenue	-	-	-	-	2,916
Obligations Under Securities Lending Program	-	-	-	-	37,873
Other Liabilities	179	-	-	-	257
Claims Payable Due Within One Year	-	-	-	-	21,625
Long-term Liabilities Due Within One Year	-	6	-	-	4,236
<b>Total Current Liabilities</b>	<b>179</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>151,071</b>
Noncurrent Liabilities:					
Interfund Payable	-	335	-	-	5,935
Claims Payable Due in More Than One Year	-	-	-	-	7,625
Long-term Liabilities Due in More Than One Year	-	18	-	-	18,586
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>353</b>	<b>-</b>	<b>-</b>	<b>32,146</b>
<b>Total Liabilities</b>	<b>179</b>	<b>396</b>	<b>-</b>	<b>-</b>	<b>183,217</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	-	-	-	-	28,092
Unrestricted	294	(214)	-	-	94,210
<b>Total Net Assets (Deficit)</b>	<b>\$ 294</b>	<b>\$ (214)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 122,302</b>



**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –  
Nonmajor Enterprise Funds**

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
<b>Operating Revenues</b>				
Charges for Sales and Services	\$ 510,801	\$ 5,308	\$ 202,367	\$ 20,478
Other	27,027	-	138	379
<b>Total Operating Revenues</b>	<b>537,828</b>	<b>5,308</b>	<b>202,505</b>	<b>20,857</b>
<b>Operating Expenses</b>				
Cost of Sales and Services	309,424	-	-	-
Prizes and Claims	-	1,491	163,787	-
Personal Services	76,505	608	-	4,157
Contractual Services	18,119	272	14,082	945
Supplies and Materials	2,436	3	-	14,234
Depreciation and Amortization	6,104	-	-	152
Rent, Insurance, and Other Related Charges	19,552	64	-	440
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Other	2,106	3	-	159
<b>Total Operating Expenses</b>	<b>434,246</b>	<b>2,441</b>	<b>177,869</b>	<b>20,087</b>
<b>Operating Income (Loss)</b>	<b>103,582</b>	<b>2,867</b>	<b>24,636</b>	<b>770</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest, Dividends, Rents, and Other Investment Income	295	1,748	4,123	-
Other	(369)	(497)	(1,163)	21
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(74)</b>	<b>1,251</b>	<b>2,960</b>	<b>21</b>
<b>Income (Loss) Before Transfers</b>	<b>103,508</b>	<b>4,118</b>	<b>27,596</b>	<b>791</b>
Transfers In	31	-	-	-
Transfers Out	(104,342)	-	-	-
<b>Change in Net Assets</b>	<b>(803)</b>	<b>4,118</b>	<b>27,596</b>	<b>791</b>
Total Net Assets (Deficit), July 1	(7,603)	8,843	39,933	15,324
<b>Total Net Assets (Deficit), June 30</b>	<b>\$ (8,406)</b>	<b>\$ 12,961</b>	<b>\$ 67,529</b>	<b>\$ 16,115</b>

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 7,085	\$ 28,557	\$ 10,147	\$ 48,410	\$ 94	\$ 1,098	\$ 454
-	-	-	-	-	64	-
7,085	28,557	10,147	48,410	94	1,162	454
-	-	-	-	-	445	211
-	-	-	-	-	-	-
2,479	1,784	9,181	635	-	690	287
676	16,046	1,021	1,587	-	53	1
1,847	6	79	18	-	18	3
222	-	-	9	-	-	2
562	647	945	59	-	-	1
-	-	-	44,246	-	-	-
6	7	110	74	-	-	23
5,792	18,490	11,336	46,628	-	1,206	528
1,293	10,067	(1,189)	1,782	94	(44)	(74)
-	-	705	1,662	-	18	-
(41)	(386)	(202)	(478)	-	-	-
(41)	(386)	503	1,184	-	18	-
1,252	9,681	(686)	2,966	94	(26)	(74)
-	-	-	-	-	-	113
(953)	-	-	(500)	(443)	(24)	-
299	9,681	(686)	2,466	(349)	(50)	39
1,672	(1,036)	6,347	14,512	349	604	175
\$ 1,971	\$ 8,645	\$ 5,661	\$ 16,978	\$ -	\$ 554	\$ 214

Continued on next page

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –  
Nonmajor Enterprise Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	School for the Deaf and Blind - Staunton	Pocahontas Parkway	Total
<b>Operating Revenues</b>					
Charges for Sales and Services	\$ 563	\$ 256	\$ -	\$ -	\$ 835,618
Other	-	-	-	-	27,608
Total Operating Revenues	<u>563</u>	<u>256</u>	<u>-</u>	<u>-</u>	<u>863,226</u>
<b>Operating Expenses</b>					
Cost of Sales and Services	541	198	-	-	310,819
Prizes and Claims	-	-	-	-	165,278
Personal Services	-	190	-	-	96,516
Contractual Services	-	16	-	-	52,818
Supplies and Materials	-	4	-	-	18,648
Depreciation and Amortization	-	-	-	-	6,489
Rent, Insurance, and Other Related Charges	-	2	-	-	22,272
Non-recurring Cost Estimate Payments to Providers	-	-	-	-	44,246
Other	-	-	-	-	2,488
Total Operating Expenses	<u>541</u>	<u>410</u>	<u>-</u>	<u>-</u>	<u>719,574</u>
Operating Income (Loss)	<u>22</u>	<u>(154)</u>	<u>-</u>	<u>-</u>	<u>143,652</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest, Dividends, Rents, and Other Investment Income	-	-	-	-	8,551
Other	-	-	-	-	(3,115)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,436</u>
Income (Loss) Before Transfers	22	(154)	-	-	149,088
Transfers In	-	-	-	-	144
Transfers Out	(11)	-	(2)	-	(106,275)
Change in Net Assets	11	(154)	(2)	-	42,957
Total Net Assets (Deficit), July 1	283	(60)	2	-	79,345
Total Net Assets (Deficit), June 30	<u>\$ 294</u>	<u>\$ (214)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,302</u>



## Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
<b>Cash Flows from Operating Activities</b>				
Receipts for Sales and Services	\$ 531,459	\$ 5,321	\$ 200,119	\$ 16,561
Internal Activity-Receipts from Other Funds	-	-	-	4,472
Internal Activity-Payments to Other Funds	-	-	-	-
Payments to Suppliers for Goods and Services	(327,287)	-	-	(13,803)
Payments for Prizes, Claims, and Loss Control	-	(1,424)	(162,560)	-
Payments to Employees	(72,846)	(706)	-	(4,432)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Other Operating Revenue	4,761	-	159	-
Other Operating Expense	(18,119)	(336)	(13,782)	(948)
Net Cash Provided by (Used for) Operating Activities	<u>117,968</u>	<u>2,855</u>	<u>23,936</u>	<u>1,850</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In From Other Funds	30	-	-	-
Transfers Out to Other Funds	(246,191)	-	-	-
Other Noncapital Financing Receipt Activities	171,611	-	-	-
Other Noncapital Financing Disbursement Activities	(39,090)	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(113,640)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(1,465)	-	-	-
Payment of Principal and Interest on Bonds and Notes	(2,620)	-	-	-
Proceeds from Sale of Capital Assets	6	-	-	21
Net Cash Provided By (Used for) Capital and Related Financing Activities	<u>(4,079)</u>	<u>-</u>	<u>-</u>	<u>21</u>
<b>Cash Flows from Investing Activities</b>				
Investment Income on Cash, Cash Equivalents, and Investments	-	1,252	2,960	-
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>1,252</u>	<u>2,960</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>				
Cash Equivalents	249	4,107	26,896	1,871
<b>Cash and Cash Equivalents, July 1</b>	<u>1,998</u>	<u>22,371</u>	<u>45,405</u>	<u>4,490</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 2,247</u>	<u>\$ 26,478</u>	<u>\$ 72,301</u>	<u>\$ 6,361</u>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 2,210	\$ 28,033	\$ 76,548	\$ 6,360
Cash and Travel Advances	160	-	-	1
Less:				
Securities Lending Cash Equivalents	(123)	(1,555)	(4,247)	-
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 2,247</u>	<u>\$ 26,478</u>	<u>\$ 72,301</u>	<u>\$ 6,361</u>



Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 7,421	\$ 12,954	\$ 10,146	\$ 46,691	\$ 82	\$ 1,089	\$ 454
32	8,723	-	396	-	-	-
(107)	(64)	-	(3,755)	-	-	-
(2,384)	(654)	(1,109)	(146)	-	(504)	(221)
-	-	-	-	-	-	-
(2,177)	(1,532)	(8,483)	(577)	-	(696)	(269)
-	-	-	(44,942)	-	-	-
-	-	-	-	-	-	-
(570)	(14,990)	(999)	(1,277)	-	(48)	(25)
<u>2,215</u>	<u>4,437</u>	<u>(445)</u>	<u>(3,610)</u>	<u>82</u>	<u>(159)</u>	<u>(61)</u>
-	-	-	-	-	-	113
(953)	-	-	(500)	(443)	(24)	-
-	-	-	-	-	-	-
-	(1,186)	-	-	-	-	-
<u>(953)</u>	<u>(1,186)</u>	<u>-</u>	<u>(500)</u>	<u>(443)</u>	<u>(24)</u>	<u>113</u>
(20)	-	-	(69)	-	-	-
(501)	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(521)</u>	<u>-</u>	<u>-</u>	<u>(69)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	503	1,184	-	18	-
<u>-</u>	<u>-</u>	<u>503</u>	<u>1,184</u>	<u>-</u>	<u>18</u>	<u>-</u>
741	3,251	58	(2,995)	(361)	(165)	52
<u>3,403</u>	<u>5,649</u>	<u>8,593</u>	<u>24,000</u>	<u>361</u>	<u>600</u>	<u>128</u>
<u>\$ 4,144</u>	<u>\$ 8,900</u>	<u>\$ 8,651</u>	<u>\$ 21,005</u>	<u>\$ -</u>	<u>\$ 435</u>	<u>\$ 180</u>
\$ 4,144	\$ 8,900	\$ 9,159	\$ 22,238	\$ -	\$ 430	\$ 180
-	-	-	-	-	5	-
-	-	(508)	(1,233)	-	-	-
<u>\$ 4,144</u>	<u>\$ 8,900</u>	<u>\$ 8,651</u>	<u>\$ 21,005</u>	<u>\$ -</u>	<u>\$ 435</u>	<u>\$ 180</u>

Continued on next page

**Combining Statement of Cash Flows – Nonmajor Enterprise Funds (Continued from previous page)**

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	School for the Deaf and Blind - Staunton	Pocahontas Parkway	Total
<b>Cash Flows from Operating Activities</b>					
Receipts for Sales and Services	\$ 563	\$ 252	\$ -	\$ -	\$ 833,112
Internal Activity-Receipts from Other Funds	-	-	-	-	13,623
Internal Activity-Payments to Other Funds	-	-	-	-	(3,926)
Payments to Suppliers for Goods and Services	(541)	(238)	-	-	(346,887)
Payments for Prizes, Claims, and Loss Control	-	-	-	-	(163,984)
Payments to Employees	-	(158)	-	-	(91,876)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-	(44,942)
Other Operating Revenue	-	-	-	-	4,920
Other Operating Expense	-	(22)	-	-	(51,116)
Net Cash Provided by (Used for) Operating Activities	<u>22</u>	<u>(166)</u>	<u>-</u>	<u>-</u>	<u>148,924</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers In From Other Funds	-	166	-	-	309
Transfers Out to Other Funds	(11)	-	(2)	-	(248,124)
Other Noncapital Financing Receipt Activities	-	-	-	-	171,611
Other Noncapital Financing Disbursement Activities	-	-	-	(878)	(41,154)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(11)</u>	<u>166</u>	<u>(2)</u>	<u>(878)</u>	<u>(117,358)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of Capital Assets	-	-	-	-	(1,554)
Payment of Principal and Interest on Bonds and Notes	-	-	-	-	(3,121)
Proceeds from Sale of Capital Assets	-	-	-	-	27
Net Cash Provided By (Used for) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,648)</u>
<b>Cash Flows from Investing Activities</b>					
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-	-	5,917
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,917</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>					
Cash Equivalents	11	-	(2)	(878)	32,835
<b>Cash and Cash Equivalents, July 1</b>	<u>461</u>	<u>-</u>	<u>2</u>	<u>878</u>	<u>118,339</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,174</u>
<b>Reconciliation of Cash and Cash Equivalents</b>					
Per the Statement of Net Assets:					
Cash and Cash Equivalents	\$ 472	\$ -	\$ -	\$ -	\$ 158,674
Cash and Travel Advances	-	-	-	-	166
Less:					
Securities Lending Cash Equivalents	-	-	-	-	(7,666)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,174</u>

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Operating Income (Loss)	\$ 103,582	\$ 2,867	\$ 24,636	\$ 770
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation and Amortization	6,104	-	-	152
Miscellaneous Nonoperating Income	-	-	-	(379)
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(1,663)	(10)	(2,226)	555
(Increase) Decrease in Due From Other Funds	-	-	-	-
(Increase) Decrease in Inventory	(3,708)	-	-	252
(Increase) Decrease in Prepaid Items	(118)	-	-	-
Increase (Decrease) in Accounts Payable	11,986	11	1,550	435
Increase (Decrease) in Amounts Due to Other Governments	-	-	-	-
Increase (Decrease) in Due to Other Funds	548	3	-	8
Increase (Decrease) in Unearned Revenue	55	27	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	663	(24)	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	(766)	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	14	11	-	17
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	1,168	49	-	40
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 117,968</b>	<b>\$ 2,855</b>	<b>\$ 23,936</b>	<b>\$ 1,850</b>

*Continued on next page*

**Combining Statement of Cash Flows – Nonmajor Enterprise Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Operating Income (Loss)	\$ 1,293	\$ 10,067	\$ (1,189)	\$ 1,782
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation and Amortization	222	-	-	9
Miscellaneous Nonoperating Income	-	-	-	-
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(51)	(8,957)	-	(1,347)
(Increase) Decrease in Due From Other Funds	-	1,817	-	-
(Increase) Decrease in Inventory	28	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-	-
Increase (Decrease) in Accounts Payable	132	1,304	(4)	(10,707)
Increase (Decrease) in Amounts Due to Other Governments	-	-	-	6,571
Increase (Decrease) in Due to Other Funds	18	20	239	4
Increase (Decrease) in Unearned Revenue	420	-	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	14	3	60	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	139	183	449	78
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,215</u>	<u>\$ 4,437</u>	<u>\$ (445)</u>	<u>\$ (3,610)</u>

Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds	Library of Virginia	School for the Deaf and Blind - Staunton	Pocahontas Parkway	Total
\$ 94	\$ (44)	\$ (74)	\$ 22	\$ (154)	\$ -	\$ -	\$ 143,652
-	-	2	-	-	-	-	6,489
-	-	-	-	-	-	-	(379)
-	(74)	5	-	(4)	-	-	(13,772)
-	-	-	-	-	-	-	1,817
-	(78)	(26)	-	(48)	-	-	(3,580)
-	-	-	-	-	-	-	(118)
-	23	14	-	20	-	-	4,764
-	-	-	-	-	-	-	6,571
-	-	-	-	-	-	-	840
-	-	-	-	-	-	-	502
-	23	-	-	-	-	-	23
-	-	-	-	-	-	-	639
-	-	-	-	-	-	-	(766)
-	-	-	-	2	-	-	121
(12)	(9)	18	-	18	-	-	2,121
<u>\$ 82</u>	<u>\$ (159)</u>	<u>\$ (61)</u>	<u>\$ 22</u>	<u>\$ (166)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,924</u>



# Internal Service Funds

## Internal Service Funds

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

**Virginia Information Technologies Agency** accounts for the installation and maintenance of the State government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems. The activity of the Virginia Information Providers Network, reported as an Enterprise Fund, was transferred to this fund and is included in these statements.

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

**Health Care** accounts for the health insurance programs provided to State employees.

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

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

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

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

**Combining Statement of Net Assets – Internal Service Funds**

June 30, 2007

(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 23,737	\$ 7,361	\$ 234,645
Investments	-	-	51,290
Receivables, Net	3,187	2,467	13,478
Due From Other Funds	13,260	2,515	19,986
Inventory	-	14,203	-
Prepaid Items	368	-	-
Other Assets	11,265	4	-
<b>Total Current Assets</b>	<b>51,817</b>	<b>26,550</b>	<b>319,399</b>
<b>Noncurrent Assets:</b>			
Nondepreciable Capital Assets	-	294	-
Depreciable Capital Assets, Net	25,656	5,521	-
<b>Total Noncurrent Assets</b>	<b>25,656</b>	<b>5,815</b>	<b>-</b>
<b>Total Assets</b>	<b>77,473</b>	<b>32,365</b>	<b>319,399</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	23,042	1,522	27,162
Amounts Due to Other Governments	182	506	-
Due to Other Funds	80	56	-
Interfund Payable	-	-	-
Unearned Revenue	16,490	2,436	-
Obligations Under Securities Lending Program	-	-	64,310
Other Liabilities	78	-	-
Claims Payable Due Within One Year	-	-	90,736
Long-term Liabilities Due within One Year	3,038	307	-
<b>Total Current Liabilities</b>	<b>42,910</b>	<b>4,827</b>	<b>182,208</b>
<b>Noncurrent Liabilities:</b>			
Interfund Payable	-	-	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	11,963	2,318	-
<b>Total Noncurrent Liabilities</b>	<b>11,963</b>	<b>2,318</b>	<b>-</b>
<b>Total Liabilities</b>	<b>54,873</b>	<b>7,145</b>	<b>182,208</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	19,291	5,544	-
Unrestricted	3,309	19,676	137,191
<b>Total Net Assets (Deficit)</b>	<b>\$ 22,600</b>	<b>\$ 25,220</b>	<b>\$ 137,191</b>



<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 899	\$ 13,294	\$ 105,429	\$ 5,972	\$ 391,337
-	-	21,730	593	73,613
533	155	234	1,478	21,532
2,115	901	-	1,125	39,902
159	306	-	3,660	18,328
-	-	-	-	368
-	-	850	1	12,120
<u>3,706</u>	<u>14,656</u>	<u>128,243</u>	<u>12,829</u>	<u>557,200</u>
-	-	-	150	444
<u>26,971</u>	<u>289</u>	<u>-</u>	<u>9,587</u>	<u>68,024</u>
<u>26,971</u>	<u>289</u>	<u>-</u>	<u>9,737</u>	<u>68,468</u>
<u>30,677</u>	<u>14,945</u>	<u>128,243</u>	<u>22,566</u>	<u>625,668</u>
382	1,564	1,219	1,993	56,884
166	862	-	-	1,716
40	440	-	174	790
-	-	-	732	732
1	9,705	35,109	66	63,807
-	-	27,245	744	92,299
-	100	5,019	-	5,197
-	-	51,367	-	142,103
<u>938</u>	<u>500</u>	<u>54</u>	<u>354</u>	<u>5,191</u>
<u>1,527</u>	<u>13,171</u>	<u>120,013</u>	<u>4,063</u>	<u>368,719</u>
-	5,407	-	6,222	11,629
-	-	230,122	-	230,122
<u>3,085</u>	<u>1,728</u>	<u>218</u>	<u>1,187</u>	<u>20,499</u>
<u>3,085</u>	<u>7,135</u>	<u>230,340</u>	<u>7,409</u>	<u>262,250</u>
<u>4,612</u>	<u>20,306</u>	<u>350,353</u>	<u>11,472</u>	<u>630,969</u>
23,156	288	-	9,737	58,016
<u>2,909</u>	<u>(5,649)</u>	<u>(222,110)</u>	<u>1,357</u>	<u>(63,317)</u>
<u>\$ 26,065</u>	<u>\$ (5,361)</u>	<u>\$ (222,110)</u>	<u>\$ 11,094</u>	<u>\$ (5,301)</u>

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

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
<b>Operating Revenues:</b>			
Charges for Sales and Services	\$ 264,910	\$ 48,736	\$ 907,701
Total Operating Revenues	<u>264,910</u>	<u>48,736</u>	<u>907,701</u>
<b>Operating Expenses:</b>			
Cost of Sales and Services	-	35,597	-
Prizes and Claims	-	-	771,428
Personal Services	31,380	4,299	-
Contractual Services	207,475	2,687	61,884
Supplies and Materials	915	506	-
Depreciation and Amortization	17,172	1,172	-
Rent, Insurance, and Other Related Charges	6,876	1,257	-
Interest Expense	-	-	-
Other	6,716	752	-
Total Operating Expenses	<u>270,534</u>	<u>46,270</u>	<u>833,312</u>
Operating Income (Loss)	<u>(5,624)</u>	<u>2,466</u>	<u>74,389</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest, Dividends, Rents, and Other Investment Income	(294)	-	13,262
Other	3,733	241	(3,742)
Total Nonoperating Revenues (Expenses)	<u>3,439</u>	<u>241</u>	<u>9,520</u>
Income (Loss) Before Transfers	(2,185)	2,707	83,909
Transfers In	443	-	-
Transfers Out	(536)	(1,022)	-
Change in Net Assets	(2,278)	1,685	83,909
Total Net Assets (Deficit), July 1	<u>24,878</u>	<u>23,535</u>	<u>53,282</u>
Total Net Assets (Deficit), June 30	<u>\$ 22,600</u>	<u>\$ 25,220</u>	<u>\$ 137,191</u>

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 16,334	\$ 33,990	\$ 77,933	\$ 39,426	\$ 1,389,030
16,334	33,990	77,933	39,426	1,389,030
-	-	-	26,291	61,888
-	-	66,251	-	837,679
747	8,918	1,240	6,522	53,106
2,523	7,101	7,114	2,755	291,539
4,087	3,911	4	1,098	10,521
5,413	126	-	742	24,625
939	9,630	1,050	1,459	21,211
-	292	-	281	573
311	3,004	7,470	134	18,387
14,020	32,982	83,129	39,282	1,319,529
2,314	1,008	(5,196)	144	69,501
-	-	6,151	114	19,233
(390)	-	(1,768)	(45)	(1,971)
(390)	-	4,383	69	17,262
1,924	1,008	(813)	213	86,763
-	1	-	311	755
-	-	(18)	-	(1,576)
1,924	1,009	(831)	524	85,942
24,141	(6,370)	(221,279)	10,570	(91,243)
\$ 26,065	\$ (5,361)	\$ (222,110)	\$ 11,094	\$ (5,301)

## Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 16,719	\$ 16,662	\$ 875,844
Internal Activity-Receipts from Other Funds	245,754	35,491	-
Internal Activity-Payments to Other Funds	(1,550)	(1,155)	-
Payments to Suppliers for Goods and Services	(15,225)	(38,634)	-
Payments for Prizes, Claims, and Loss Control	-	-	(759,703)
Payments to Employees	(31,697)	(3,829)	-
Other Operating Revenue	6	-	-
Other Operating Expense	(203,697)	(2,674)	(60,542)
Net Cash Provided by (Used for) Operating Activities	<u>10,310</u>	<u>5,861</u>	<u>55,599</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In From Other Funds	443	-	-
Transfers Out to Other Funds	(536)	(1,022)	-
Other Noncapital Financing Receipt Activities	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(93)</u>	<u>(1,022)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(2,632)	(637)	-
Payment of Principal and Interest on Bonds and Notes	(3,422)	(410)	-
Proceeds from Sale of Capital Assets	-	5	-
Other Capital and Related Financing Disbursement Activities	(465)	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	<u>(6,519)</u>	<u>(1,042)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	9,520
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>9,520</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,698	3,797	65,119
<b>Cash and Cash Equivalents, July 1</b>	<u>20,047</u>	<u>3,568</u>	<u>156,507</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 23,745</u>	<u>\$ 7,365</u>	<u>\$ 221,626</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 23,737	\$ 7,361	\$ 234,645
Cash and Travel Advances	8	4	-
Less:			
Securities Lending Cash Equivalents	-	-	(13,019)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 23,745</u>	<u>\$ 7,365</u>	<u>\$ 221,626</u>

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 4,260	\$ 3,142	\$ 25,144	\$ 12,234	\$ 954,005
12,655	32,419	50,676	26,688	403,683
(3,999)	(1,425)	-	(1,416)	(9,545)
(4,223)	(16,073)	(4)	(28,215)	(102,374)
-	-	(53,712)	-	(813,415)
(804)	(8,342)	(1,277)	(5,925)	(51,874)
-	-	-	-	6
(1,586)	(6,595)	(15,570)	(2,176)	(292,840)
<u>6,303</u>	<u>3,126</u>	<u>5,257</u>	<u>1,190</u>	<u>87,646</u>
-	101	-	311	855
-	-	(18)	-	(1,576)
32	100	-	69	201
<u>32</u>	<u>201</u>	<u>(18)</u>	<u>380</u>	<u>(520)</u>
(6,856)	-	-	(159)	(10,284)
-	-	-	-	(3,832)
-	-	-	-	5
(390)	-	-	(632)	(1,487)
<u>(7,246)</u>	<u>-</u>	<u>-</u>	<u>(791)</u>	<u>(15,598)</u>
-	-	4,383	-	13,903
-	-	4,383	-	13,903
(911)	3,327	9,622	779	85,431
1,810	9,967	91,141	5,043	288,083
<u>\$ 899</u>	<u>\$ 13,294</u>	<u>\$ 100,763</u>	<u>\$ 5,822</u>	<u>\$ 373,514</u>
\$ 899	\$ 13,294	\$ 105,429	\$ 5,972	\$ 391,337
-	-	850	1	863
-	-	(5,516)	(151)	(18,686)
<u>\$ 899</u>	<u>\$ 13,294</u>	<u>\$ 100,763</u>	<u>\$ 5,822</u>	<u>\$ 373,514</u>

Continued on next page

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

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	<u>Virginia Information Technologies Agency</u>	<u>Virginia Correctional Enterprises</u>	<u>Health Care</u>
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ (5,624)	\$ 2,466	\$ 74,389
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation and Amortization	17,172	1,172	-
Miscellaneous Nonoperating Income	101	402	-
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	1,253	2,094	(11,871)
(Increase) Decrease in Due From Other Funds	13,428	(324)	(19,986)
(Increase) Decrease in Other Assets	(11,257)	-	-
(Increase) Decrease in Inventory	-	(456)	-
(Increase) Decrease in Prepaid Items	959	-	-
Increase (Decrease) in Accounts Payable	975	(953)	3,805
Increase (Decrease) in Amounts Due to Other Governments	(332)	25	-
Increase (Decrease) in Due to Other Funds	70	56	-
Increase (Decrease) in Interfund Payable	-	-	-
Increase (Decrease) in Unearned Revenue	(5,840)	1,101	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	9,262
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(3,119)	23	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	2,524	255	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 10,310</u>	<u>\$ 5,861</u>	<u>\$ 55,599</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
The following transactions occurred prior to the statement of net assets date:			
Capital Leases Used to Finance Capital Assets	\$ 6,216	\$ -	\$ -
Trade-ins of Used Equipment on New Equipment	-	(7)	-
Capital Asset Addition Included in Accounts Payable	592	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 6,808</u>	<u>\$ (7)</u>	<u>\$ -</u>

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 2,314	\$ 1,008	\$ (5,196)	\$ 144	\$ 69,501
5,413	126	-	742	24,625
-	-	-	(33)	470
838	(2)	(51)	(278)	(8,017)
(163)	277	-	(435)	(7,203)
-	-	-	-	(11,257)
(88)	(47)	-	(534)	(1,125)
-	-	-	-	959
(683)	367	(567)	1,175	4,119
25	(232)	-	-	(514)
(1,263)	(224)	-	60	(1,301)
-	(233)	-	-	(233)
(7)	1,916	(2,062)	21	(4,871)
-	-	3,809	-	3,809
-	-	(159)	-	9,103
-	-	9,520	-	9,520
1	(3)	11	28	(3,059)
(84)	173	(48)	300	3,120
<u>\$ 6,303</u>	<u>\$ 3,126</u>	<u>\$ 5,257</u>	<u>\$ 1,190</u>	<u>\$ 87,646</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,216
-	-	-	-	(7)
-	-	-	33	625
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ 6,834</u>

# Fiduciary Funds

## Private Purpose Funds

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

**Unclaimed Property** accounts for unclaimed and escheat property that the state holds for its rightful owner.

**Education Savings Trust Funds** account for the activities of the Virginia Education Savings Trust and College America programs, which are voluntary, non-guaranteed, higher educational investment programs offered by the Virginia College Savings Plan.

**Loan Servicing Reserve** accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

**Edvantage Reserve** accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

**Virginia Revolving Farm Loan Program** accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

**Miscellaneous Trust Funds** account for perpetual trusts created through donations to the state. Earnings are used for the benefit of donor-specified local entities.

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## Pension and Other Employee Benefit Trust Funds

*Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.*

**The Virginia Retirement System** provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

**The State Police Officers' Retirement System** provides retirement benefits to Virginia state police officers.

**The Judicial Retirement System** provides retirement benefits to the Commonwealth's judiciary.

**The Virginia Law Officers' Retirement System** provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

**Political Appointees** provides optional retirement benefits to selected officials and administrative staff.

**The Public School Superintendents' Plan** provides retirement benefits to superintendents in the public school system.

**The Virginia Supplemental Retirement Plan** provides extra benefits to turn-around specialists in the public school system.

**Other Employment Retiree Health Insurance Credit Fund** accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

**Other Employment Group Life Fund** provides life insurance coverage to members of the retirement systems.

**Other Employment Virginia Sickness and Disability** provides income protection to Commonwealth employees for absences caused by sickness or disability.

**Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund** provides optional retirement benefits to volunteer firefighters and rescue squad workers.

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## Investment Trust Fund

*Investment Trust Fund reflects the external portion of the investment pool sponsored by the Commonwealth.*

**Local Government Investment Pool (LGIP)** helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.



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## Agency Funds

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

**Funds for the Collection of Taxes and Fees** account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

**Employee Benefits Fund** accounts for undistributed withholdings for employee benefits.

**Contractor Deposit Fund** accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, and from motor fuel retailers to ensure performance meets regulatory standards.

**Deposits of Insurance Carriers Fund** accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

**Inmate and Ward Fund** accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

**Child Support Collections Fund** accounts for court-ordered child support payments that flow through the Department of Social Services.

**Mental Health Patient Fund** accounts for the savings of patients in the Commonwealth's mental health facilities.

**Mental Health Non-patient Fund** accounts for the savings of nonpatients in the Commonwealth's mental health facilities.

**Comptroller's Debt Setoff Fund** accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

**Unclaimed Property of Other States Fund** accounts for unclaimed property that is due to other states.

**Legal Settlement Fund** accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

**Consumer Services Fund** accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund.

**State Asset Forfeiture Fund** accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

**Aviation Fund** accounts for funds held in lieu of insurance for pilot licensure.

**Virginia School for the Deaf and the Blind Fund** accounts for student funds used to establish new activities for students.

**Woodrow Wilson Rehabilitation Center Fund** accounts for student funds held by the Center.

**Dog and Cat Sterilization Fund** accounts for the collections from individual vehicle registrations designated for dog and cat sterilization programs within the locality of residence.

**Commuter Rail Fund** accounts for funds held in custody for Virginia Railway Express assets.

**Department of Environmental Quality** accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

**Combining Statement of Fiduciary Net Assets – Private Purpose Funds**

June 30, 2007

(Dollars in Thousands)

	<u>Unclaimed Property</u>	<u>Education Savings Trust Funds</u>	<u>Loan Servicing Reserve</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 11,190	\$ 6,032	\$ 533
Investments:			
Bonds and Mortgage Securities	4	-	-
Stocks	111,942	57,510	-
Index and Pooled Funds	-	267,577	-
Mutual and Money Market Funds	37,273	23,579,247	-
Other	881	133,653	-
Total Investments	<u>150,100</u>	<u>24,037,987</u>	<u>-</u>
Receivables:			
Accounts	-	-	-
Interest and Dividends	-	1,058	-
Total Receivables	<u>-</u>	<u>1,058</u>	<u>-</u>
Total Assets	<u>161,290</u>	<u>24,045,077</u>	<u>533</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	111	935	-
Obligations Under Securities Lending Program	1,062	-	-
Other Liabilities	-	315	-
Compensated Absences Payable	176	-	-
Insurance Premiums and Claims Payable	11	-	-
Pension Liability	362	-	-
Total Liabilities	<u>1,722</u>	<u>1,250</u>	<u>-</u>
Net Assets Held in Trust for Participants	<u>\$ 159,568</u>	<u>\$ 24,043,827</u>	<u>\$ 533</u>

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ 852	\$ 5,930	\$ 36	\$ 24,573
-	-	-	4
-	-	-	169,452
-	-	-	267,577
-	-	-	23,616,520
186	1,296	30	136,046
186	1,296	30	24,189,599
-	82	-	82
-	-	-	1,058
-	82	-	1,140
1,038	7,308	66	24,215,312
-	4	-	1,050
233	1,625	-	2,920
-	-	-	315
-	2	-	178
-	-	-	11
-	10	-	372
233	1,641	-	4,846
\$ 805	\$ 5,667	\$ 66	\$ 24,210,466

**Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds**

For the Fiscal Year June 30, 2007

(Dollars in Thousands)

	<u>Unclaimed Property</u>	<u>Education Savings Trust Funds</u>	<u>Loan Servicing Reserve</u>
<b>Additions:</b>			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ 58	\$ 3,582,232	\$ -
Total Investment Income	58	3,582,232	-
Less Investment Expenses	-	16,933	-
Net Investment Income	58	3,565,299	-
Proceeds from Unclaimed Property	23,851	-	-
Contributions:			
Participants	-	5,487,288	-
Total Contributions	-	5,487,288	-
Other Revenue	-	-	-
Total Additions	23,909	9,052,587	-
<b>Deductions:</b>			
Loan Servicing Payments	-	-	-
Tuition Benefits	-	649,095	-
Insurance Premiums and Claims	17,943	-	-
Trust Payments	-	-	-
Administrative Expenses	4,290	19,420	-
Other Expenses	-	-	-
Shares Redeemed	-	896,781	-
Total Deductions	22,233	1,565,296	-
Net Increase	1,676	7,487,291	-
Net Assets Held in Trust for Participants			
July 1	157,892	16,556,536	533
June 30	\$ 159,568	\$ 24,043,827	\$ 533

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ 52	\$ 376	\$ 3	\$ 3,582,721
52	376	3	3,582,721
-	-	-	16,933
52	376	3	3,565,788
-	-	-	23,851
-	-	-	5,487,288
-	-	-	5,487,288
7	-	-	7
59	376	3	9,076,934
5	78	-	83
-	-	-	649,095
-	-	-	17,943
-	-	3	3
-	104	-	23,814
15	-	-	15
-	-	-	896,781
20	182	3	1,587,734
39	194	-	7,489,200
766	5,473	66	16,721,266
<u>\$ 805</u>	<u>\$ 5,667</u>	<u>\$ 66</u>	<u>\$ 24,210,466</u>

## Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

June 30, 2007

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System
<b>Assets</b>				
Cash and Cash Equivalents	\$ 210,908	\$ 2,539	\$ 1,445	\$ 3,218
Investments:				
Bonds and Mortgage Securities	14,041,722	174,864	99,479	221,601
Stocks	22,762,761	283,469	161,263	359,233
Fixed Income Commingled Funds	1,175,237	14,636	8,326	18,547
Index and Pooled Funds	11,916,499	148,398	84,422	188,062
Real Estate	2,432,685	30,295	17,234	38,392
Private Equity	3,467,052	43,176	24,562	54,716
Short-term Investments	445,287	5,545	3,155	7,027
Other	5,404,650	67,305	38,289	85,294
Total Investments	61,645,893	767,688	436,730	972,872
Receivables:				
Contributions	151,563	919	999	2,879
Interest and Dividends	169,745	2,114	1,203	2,679
Security Transactions	3,090,492	38,486	21,895	48,773
Other Receivables	33,865	408	249	516
Total Receivables	3,445,665	41,927	24,346	54,847
Due from External Parties (Fiduciary Funds)	4,899	2,847	2,097	3,071
Furniture and Equipment	6,434	-	-	-
Total Assets	65,313,799	815,001	464,618	1,034,008
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	39,950	475	270	602
Due to External Parties (Fiduciary Funds)	15,246	-	-	116
Obligations Under Securities Lending Program	5,404,650	67,305	38,289	85,294
Other Liabilities	1,790	1	1	1
Retirement Benefits Payable	48,691	2,778	2,060	2,819
Refunds Payable	7,227	140	-	327
Compensated Absences Payable	1,620	-	-	-
Insurance Premiums and Claims Payable	-	-	-	-
Payable for Security Transactions	4,846,401	60,353	34,334	76,484
Pension Liability	3,035	37	21	31
Total Liabilities	10,368,610	131,089	74,975	165,674
<b>Net Assets Held in Trust for Pension/Other Employment</b>				
Benefits, Pool Participants and Other Purposes	\$ 54,945,189	\$ 683,912	\$ 389,643	\$ 868,334

Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Employment Virginia Sickness and Disability	Other Employment Volunteer Firefighters and Rescue Squad Workers	Total
\$ -	\$ -	\$ -	\$ 819	\$ 3,664	\$ 983	\$ -	\$ 223,576
1,194	31	47	56,370	252,309	67,731	-	14,915,348
3,253	11	-	91,380	409,013	109,799	-	24,180,182
-	-	-	4,718	21,117	5,669	-	1,248,250
783	-	-	47,838	214,122	57,481	-	12,657,605
-	-	-	9,766	43,712	11,734	-	2,583,818
-	-	-	13,918	62,298	16,724	-	3,682,446
-	-	-	1,787	8,001	2,148	-	472,950
-	-	-	21,697	97,113	26,070	1,332	5,741,750
5,230	42	47	247,474	1,107,685	297,356	1,332	65,482,349
-	-	-	6,470	12,931	2,830	-	178,591
-	-	-	681	3,050	819	-	180,291
-	-	-	12,407	55,532	14,907	-	3,282,492
-	-	-	144	586	2,902	-	38,670
-	-	-	19,702	72,099	21,458	-	3,680,044
-	-	-	6,494	1,000	-	-	20,408
-	-	-	-	-	-	-	6,434
5,230	42	47	274,489	1,184,448	319,797	1,332	69,412,811
-	-	-	7,058	687	5,928	-	54,970
-	-	-	1,438	2,796	812	-	20,408
-	-	-	21,697	97,113	26,070	-	5,740,418
-	-	-	-	2	-	-	1,795
-	-	-	-	-	-	-	56,348
-	-	-	234	1,761	24	-	9,713
-	-	-	-	-	-	-	1,620
-	-	-	-	32,678	-	-	32,678
-	-	-	19,456	87,083	23,377	-	5,147,488
-	-	-	49	98	89	-	3,360
-	-	-	49,932	222,218	56,300	-	11,068,798
\$ 5,230	\$ 42	\$ 47	\$ 224,557	\$ 962,230	\$ 263,497	\$ 1,332	\$ 58,344,013

## Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System
<b>Additions:</b>				
Investment Income:				
Interest, Dividends, and Other				
Investment Income	\$ 9,910,715	\$ 123,543	\$ 69,357	\$ 151,052
Total Investment Income	9,910,715	123,543	69,357	151,052
Less Investment Expenses	484,680	6,042	3,393	7,388
Net Investment Income	9,426,035	117,501	65,964	143,664
Contributions:				
Member	709,512	5,108	2,907	16,498
Employer	1,124,535	16,358	20,530	48,322
Total Contributions	1,834,047	21,466	23,437	64,820
Other Revenue	338	-	-	-
Total Additions	11,260,420	138,967	89,401	208,484
<b>Deductions:</b>				
Retirement Benefits	2,219,350	33,867	25,253	35,019
Refunds to Former Members	89,716	1,221	-	4,828
Retiree Health Insurance Credits	-	-	-	-
Insurance Premiums and Claims	-	-	-	-
Administrative Expenses	25,108	319	179	387
Other Expenses	7	-	-	-
Long-term Disability Benefits	-	-	-	-
Total Deductions	2,334,181	35,407	25,432	40,234
<b>Transfers:</b>				
Transfers In	-	-	-	171
Transfers Out	(171)	-	-	-
Total Transfers	(171)	-	-	171
Net Increase	8,926,068	103,560	63,969	168,421
Net Assets Held in Trust for Pension/Other Employment				
Benefits, Pool Participants and Other Purposes				
<b>July 1</b>	46,019,121	580,352	325,674	699,913
<b>June 30</b>	<u>\$ 54,945,189</u>	<u>\$ 683,912</u>	<u>\$ 389,643</u>	<u>\$ 868,334</u>



Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Employment Virginia Sickness and Disability	Other Employment Volunteer Firefighters and Rescue Squad Workers	Total
\$ 709	\$ 2	\$ 3	\$ 36,191	\$ 169,153	\$ 42,094	\$ 210	\$ 10,503,029
709	2	3	36,191	169,153	42,094	210	10,503,029
-	-	-	1,769	8,272	2,058	-	513,602
709	2	3	34,422	160,881	40,036	210	9,989,427
383	20	28	-	102,194	-	42	836,692
440	-	-	92,919	67,630	65,726	97	1,436,557
823	20	28	92,919	169,824	65,726	139	2,273,249
-	-	-	-	-	-	-	338
1,532	22	31	127,341	330,705	105,762	349	12,263,014
810	-	10	-	-	-	-	2,314,309
-	-	-	-	-	-	-	95,765
-	-	-	80,447	-	-	-	80,447
-	-	-	-	118,627	-	-	118,627
13	-	-	377	602	812	-	27,797
-	-	-	-	543	-	-	550
-	-	-	-	-	33,282	-	33,282
823	-	10	80,824	119,772	34,094	-	2,670,777
-	-	-	-	-	-	-	171
-	-	-	-	-	-	-	(171)
-	-	-	-	-	-	-	-
709	22	21	46,517	210,933	71,668	349	9,592,237
4,521	20	26	178,040	751,297	191,829	983	48,751,776
\$ 5,230	\$ 42	\$ 47	\$ 224,557	\$ 962,230	\$ 263,497	\$ 1,332	\$ 58,344,013

**Combining Statement of Fiduciary Net Assets – Investment Trust Funds**

June 30, 2007

(Dollars in Thousands)

	<b>Local Government Investment Pool (LGIP)</b>	<b>Total</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,683,441	\$ 1,683,441
Investments:		
Bonds and Mortgage Securities	84,557	84,557
Short-term Investments	1,281,483	1,281,483
Total Investments	<u>1,366,040</u>	<u>1,366,040</u>
Receivables:		
Interest and Dividends	10,819	10,819
Total Receivables	<u>10,819</u>	<u>10,819</u>
Total Assets	<u>3,060,300</u>	<u>3,060,300</u>
<b>Liabilities</b>		
Due to Internal Parties (Governmental Funds and Business-type Activities)	<u>4</u>	<u>4</u>
Total Liabilities	<u>4</u>	<u>4</u>
<b>Net Assets Held in Trust for</b>		
Pool Participants	<u>\$ 3,060,296</u>	<u>\$ 3,060,296</u>

**Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds**

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	<b>Local Government Investment Pool (LGIP)</b>	<b>Total</b>
<b>Additions:</b>		
Investment Income:		
Interest, Dividends, and Other		
Investment Income	\$ 126,658	\$ 126,658
Distributions to Shareholders from Net Investment Income	(129,609)	(129,609)
Total Investment Income	(2,951)	(2,951)
Net Investment Income	(2,951)	(2,951)
Shares Sold	4,515,057	4,515,057
Reinvested Distributions	129,690	129,690
Total Additions	4,641,796	4,641,796
<b>Deductions:</b>		
Shares Redeemed	(4,268,341)	(4,268,341)
Total Deductions	(4,268,341)	(4,268,341)
Net Increase	373,455	373,455
Net Assets Held in Trust for Pool Participants		
<b>July 1</b>	2,686,841	2,686,841
<b>June 30</b>	<u>\$ 3,060,296</u>	<u>\$ 3,060,296</u>

**Combining Statement of Fiduciary Net Assets – Agency Funds**

June 30, 2007

(Dollars in Thousands)

	Funds for the Collection of Taxes	Employee Benefits	Contractor Deposits
<b>Assets</b>			
Cash and Cash Equivalents	\$ 167,319	\$ 5,486	\$ 29,018
Investments:			
Short-term Investments	8,471	-	2,268
Other Investments	-	-	-
Total Investments	<u>8,471</u>	<u>-</u>	<u>2,268</u>
Receivables:			
Accounts	159,968	-	-
Total Receivables	<u>159,968</u>	<u>-</u>	<u>-</u>
Due from Internal Parties (Governmental and Business Type Activities)	-	-	-
Total Assets	<u>\$ 335,758</u>	<u>\$ 5,486</u>	<u>\$ 31,286</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ -	\$ 5,486	\$ -
Amounts Due to Other Governments	325,137	-	-
Due to Internal Parties (Governmental and Business Type Activities)	-	-	-
Obligations Under Securities Lending Program	10,621	-	2,844
Other Liabilities	-	-	28,442
Insurance Premiums and Claims Payable	-	-	-
Total Liabilities	<u>\$ 335,758</u>	<u>\$ 5,486</u>	<u>\$ 31,286</u>

Deposits of Insurance Carriers	Inmate and Ward	Child Support Collection	Mental Health Patient	Mental Health Non-Patient	Comptroller's Debt Setoff	Unclaimed Property of Other States	Legal Settlement
\$ 19,088	\$ 7,314	\$ 1,932	\$ 2,452	\$ 23	\$ 970	\$ 1,737	\$ 1,061
79,110	-	-	-	-	-	-	60
305,452	-	-	132	-	-	-	-
384,562	-	-	132	-	-	-	60
6	327	-	-	-	-	-	-
6	327	-	-	-	-	-	-
-	-	17,999	-	-	-	-	-
\$ 403,656	\$ 7,641	\$ 19,931	\$ 2,584	\$ 23	\$ 970	\$ 1,737	\$ 1,121
\$ -	\$ 6,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,737	-
-	74	-	-	-	-	-	-
-	-	-	-	-	-	-	75
403,656	763	19,931	2,584	23	970	-	1,046
-	-	-	-	-	-	-	-
\$ 403,656	\$ 7,641	\$ 19,931	\$ 2,584	\$ 23	\$ 970	\$ 1,737	\$ 1,121

Continued on next page

**Combining Statement of Fiduciary Net Assets – Agency Funds** (Continued from previous page)

June 30, 2007

(Dollars in Thousands)

	<u>Consumer Services</u>	<u>State Asset Forfeiture</u>	<u>Aviation</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,035	\$ 4,274	\$ 113
Investments:			
Short-term Investments	2	216	-
Other Investments	-	-	-
Total Investments	<u>2</u>	<u>216</u>	<u>-</u>
Receivables:			
Accounts	-	-	-
Total Receivables	<u>-</u>	<u>-</u>	<u>-</u>
Due from Internal Parties (Governmental and Business Type Activities)	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,037</u>	<u>\$ 4,490</u>	<u>\$ 113</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 2	\$ -	\$ -
Amounts Due to Other Governments	-	-	-
Due to Internal Parties (Governmental and Business Type Activities)	-	-	-
Obligations Under Securities Lending Program	3	271	-
Other Liabilities	1,032	4,219	113
Insurance Premiums and Claims Payable	-	-	-
Total Liabilities	<u>\$ 1,037</u>	<u>\$ 4,490</u>	<u>\$ 113</u>

Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Dog and Cat Sterilization	Commuter Rail	Department of Environmental Quality	Total
\$ 29	\$ 8	\$ 2	\$ 6,908	\$ 479	\$ 249,248
-	-	-	1,510	-	91,637
-	-	-	-	-	305,584
-	-	-	1,510	-	397,221
-	-	-	-	-	160,301
-	-	-	-	-	160,301
-	-	-	-	-	17,999
<u>\$ 29</u>	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ 8,418</u>	<u>\$ 479</u>	<u>\$ 824,769</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,292
-	-	2	-	-	326,876
-	-	-	-	-	74
-	-	-	1,893	-	15,707
29	8	-	6,134	479	469,429
-	-	-	391	-	391
<u>\$ 29</u>	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ 8,418</u>	<u>\$ 479</u>	<u>\$ 824,769</u>

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds**

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Balance July 1 as restated	Additions	Deletions	Balance June 30
<b>Funds for the Collection of Taxes and Fees</b>				
Assets:				
Cash and Cash Equivalents	\$ 121,675	\$ 1,617,416	\$ 1,571,772	\$ 167,319
Short-term Investments	160	8,471	160	8,471
Accounts Receivable	122,761	159,968	122,761	159,968
Total Assets	<u>\$ 244,596</u>	<u>\$ 1,785,855</u>	<u>\$ 1,694,693</u>	<u>\$ 335,758</u>
Liabilities:				
Amounts Due to Other Governments	\$ 244,274	\$ 1,775,234	\$ 1,694,371	\$ 325,137
Obligations Under Securities Lending Program	322	10,621	322	10,621
Total Liabilities	<u>\$ 244,596</u>	<u>\$ 1,785,855</u>	<u>\$ 1,694,693</u>	<u>\$ 335,758</u>
<b>Employee Benefits</b>				
Assets:				
Cash and Cash Equivalents	\$ 4,739	\$ 218,352	\$ 217,605	\$ 5,486
Total Assets	<u>\$ 4,739</u>	<u>\$ 218,352</u>	<u>\$ 217,605</u>	<u>\$ 5,486</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 4,739	\$ 218,352	\$ 217,605	\$ 5,486
Total Liabilities	<u>\$ 4,739</u>	<u>\$ 218,352</u>	<u>\$ 217,605</u>	<u>\$ 5,486</u>
<b>Contractors Deposit Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 31,549	\$ 11,924	\$ 14,455	\$ 29,018
Short-term Investments	1,508	2,268	1,508	2,268
Total Assets	<u>\$ 33,057</u>	<u>\$ 14,192</u>	<u>\$ 15,963</u>	<u>\$ 31,286</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 3,031	\$ 2,844	\$ 3,031	\$ 2,844
Other Liabilities	30,026	11,348	12,932	28,442
Total Liabilities	<u>\$ 33,057</u>	<u>\$ 14,192</u>	<u>\$ 15,963</u>	<u>\$ 31,286</u>
<b>Deposits of Insurance Carriers</b>				
Assets:				
Cash and Cash Equivalents	\$ 13,149	\$ 31,268	\$ 25,329	\$ 19,088
Short-term Investments	77,727	79,110	77,727	79,110
Other Investments	309,560	28,121	32,229	305,452
Accounts Receivable	15	649	658	6
Total Assets	<u>\$ 400,451</u>	<u>\$ 139,148</u>	<u>\$ 135,943</u>	<u>\$ 403,656</u>
Liabilities:				
Other Liabilities	\$ 400,451	\$ 139,145	\$ 135,940	\$ 403,656
Total Liabilities	<u>\$ 400,451</u>	<u>\$ 139,145</u>	<u>\$ 135,940</u>	<u>\$ 403,656</u>



	Balance July 1 as restated	Additions	Deletions	Balance June 30
<b>Inmate and Ward</b>				
Assets:				
Cash and Cash Equivalents	\$ 6,836	\$ 629	\$ 151	\$ 7,314
Accounts Receivable	236	99	8	327
Due from Internal Parties (Governmental and Business-type Activities)	3	-	3	-
Total Assets	<u>\$ 7,075</u>	<u>\$ 728</u>	<u>\$ 162</u>	<u>\$ 7,641</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 6,461	\$ 359	\$ 16	\$ 6,804
Due to Internal Parties (Governmental and Business-type Activities)	30	74	30	74
Other Liabilities	584	295	116	763
Total Liabilities	<u>\$ 7,075</u>	<u>\$ 728</u>	<u>\$ 162</u>	<u>\$ 7,641</u>
<b>Child Support Collections</b>				
Assets:				
Cash and Cash Equivalents	\$ 14,275	\$ 577,257	\$ 589,600	\$ 1,932
Due from Internal Parties (Governmental and Business-type Activities)	8,000	9,999	-	17,999
Total Assets	<u>\$ 22,275</u>	<u>\$ 587,256</u>	<u>\$ 589,600</u>	<u>\$ 19,931</u>
Liabilities:				
Due to Internal Parties (Governmental and Business-type Activities)	\$ 3,470	\$ -	\$ 3,470	\$ -
Other Liabilities	18,805	587,256	586,130	19,931
Total Liabilities	<u>\$ 22,275</u>	<u>\$ 587,256</u>	<u>\$ 589,600</u>	<u>\$ 19,931</u>
<b>Mental Health Patient</b>				
Assets:				
Cash and Cash Equivalents	\$ 2,299	\$ 3,336	\$ 3,183	\$ 2,452
Other Investments	97	40	5	132
Total Assets	<u>\$ 2,396</u>	<u>\$ 3,376</u>	<u>\$ 3,188</u>	<u>\$ 2,584</u>
Liabilities:				
Other Liabilities	\$ 2,396	\$ 3,376	\$ 3,188	\$ 2,584
Total Liabilities	<u>\$ 2,396</u>	<u>\$ 3,376</u>	<u>\$ 3,188</u>	<u>\$ 2,584</u>

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**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Balance July 1 as restated	Additions	Deletions	Balance June 30
<b>Mental Health Non-Patient</b>				
Assets:				
Cash and Cash Equivalents	\$ 20	\$ 4	\$ 1	\$ 23
Total Assets	<u>\$ 20</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 23</u>
Liabilities:				
Other Liabilities	\$ 20	\$ 4	\$ 1	\$ 23
Total Liabilities	<u>\$ 20</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 23</u>
<b>Comptrollers Debt Setoff</b>				
Assets:				
Cash and Cash Equivalents	\$ 945	\$ 21,866	\$ 21,841	\$ 970
Total Assets	<u>\$ 945</u>	<u>\$ 21,866</u>	<u>\$ 21,841</u>	<u>\$ 970</u>
Liabilities:				
Other Liabilities	\$ 945	\$ 21,866	\$ 21,841	\$ 970
Total Liabilities	<u>\$ 945</u>	<u>\$ 21,866</u>	<u>\$ 21,841</u>	<u>\$ 970</u>
<b>Unclaimed Property of Other States</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,500	\$ 383	\$ 146	\$ 1,737
Other Assets	3,060	-	3,060	-
Total Assets	<u>\$ 4,560</u>	<u>\$ 383</u>	<u>\$ 3,206</u>	<u>\$ 1,737</u>
Liabilities:				
Amounts Due to Other Governments	\$ 4,560	\$ 383	\$ 3,206	\$ 1,737
Total Liabilities	<u>\$ 4,560</u>	<u>\$ 383</u>	<u>\$ 3,206</u>	<u>\$ 1,737</u>
<b>Legal Settlement</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,013	\$ 150	\$ 102	\$ 1,061
Short-term Investments	22	60	22	60
Total Assets	<u>\$ 1,035</u>	<u>\$ 210</u>	<u>\$ 124</u>	<u>\$ 1,121</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 44	\$ 75	\$ 44	\$ 75
Other Liabilities	991	135	80	1,046
Total Liabilities	<u>\$ 1,035</u>	<u>\$ 210</u>	<u>\$ 124</u>	<u>\$ 1,121</u>

	Balance July 1 as restated	Additions	Deletions	Balance June 30
<b>Consumer Services</b>				
Assets:				
Cash and Cash Equivalents	\$ 846	\$ 549	\$ 360	\$ 1,035
Short-term Investments	-	2	-	2
<b>Total Assets</b>	<b>\$ 846</b>	<b>\$ 551</b>	<b>\$ 360</b>	<b>\$ 1,037</b>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 2	\$ 16	\$ 16	\$ 2
Obligations Under Securities Lending Program	-	3	-	3
Other Liabilities	844	532	344	1,032
<b>Total Liabilities</b>	<b>\$ 846</b>	<b>\$ 551</b>	<b>\$ 360</b>	<b>\$ 1,037</b>
<b>State Asset Forfeiture Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 874	\$ 7,866	\$ 4,466	\$ 4,274
Short-term Investments	-	216	-	216
<b>Total Assets</b>	<b>\$ 874</b>	<b>\$ 8,082</b>	<b>\$ 4,466</b>	<b>\$ 4,490</b>
Liabilities:				
Obligations Under Securities Lending Program	\$ -	\$ 271	\$ -	\$ 271
Other Liabilities	874	7,811	4,466	4,219
<b>Total Liabilities</b>	<b>\$ 874</b>	<b>\$ 8,082</b>	<b>\$ 4,466</b>	<b>\$ 4,490</b>
<b>Aviation</b>				
Assets:				
Cash and Cash Equivalents	\$ 107	\$ 6	\$ -	\$ 113
<b>Total Assets</b>	<b>\$ 107</b>	<b>\$ 6</b>	<b>\$ -</b>	<b>\$ 113</b>
Liabilities:				
Other Liabilities	\$ 107	\$ 6	\$ -	\$ 113
<b>Total Liabilities</b>	<b>\$ 107</b>	<b>\$ 6</b>	<b>\$ -</b>	<b>\$ 113</b>
<b>Virginia School for the Deaf and Blind</b>				
Assets:				
Cash and Cash Equivalents	\$ 29	\$ 34	\$ 34	\$ 29
<b>Total Assets</b>	<b>\$ 29</b>	<b>\$ 34</b>	<b>\$ 34</b>	<b>\$ 29</b>
Liabilities:				
Other Liabilities	\$ 29	\$ 34	\$ 34	\$ 29
<b>Total Liabilities</b>	<b>\$ 29</b>	<b>\$ 34</b>	<b>\$ 34</b>	<b>\$ 29</b>

Continued on next page

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007  
(Dollars in Thousands)

	Balance July 1 as restated	Additions	Deletions	Balance June 30
<b>Woodrow Wilson Rehabilitation Center</b>				
Assets:				
Cash and Cash Equivalents	\$ 21	\$ 48	\$ 61	\$ 8
Total Assets	<u>\$ 21</u>	<u>\$ 48</u>	<u>\$ 61</u>	<u>\$ 8</u>
Liabilities:				
Other Liabilities	\$ 21	\$ 48	\$ 61	\$ 8
Total Liabilities	<u>\$ 21</u>	<u>\$ 48</u>	<u>\$ 61</u>	<u>\$ 8</u>
<b>Dog and Cat Sterilization</b>				
Assets:				
Cash and Cash Equivalents	\$ 2	\$ -	\$ -	\$ 2
Total Assets	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
Liabilities:				
Amounts Due to Other Governments	\$ 2	\$ -	\$ -	\$ 2
Total Liabilities	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
<b>Commuter Rail</b>				
Assets:				
Cash and Cash Equivalents	\$ 12,017	\$ 1,713	\$ 6,822	\$ 6,908
Short-term Investments	1,699	1,510	1,699	1,510
Total Assets	<u>\$ 13,716</u>	<u>\$ 3,223</u>	<u>\$ 8,521</u>	<u>\$ 8,418</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 3,415	\$ 1,893	\$ 3,415	\$ 1,893
Other Liabilities	9,910	1,329	5,105	6,134
Insurance Premiums and Claims Payable	391	-	-	391
Total Liabilities	<u>\$ 13,716</u>	<u>\$ 3,222</u>	<u>\$ 8,520</u>	<u>\$ 8,418</u>
<b>Department of Environmental Quality</b>				
Assets:				
Cash and Cash Equivalents	\$ 546	\$ -	\$ 67	\$ 479
Total Assets	<u>\$ 546</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 479</u>
Liabilities:				
Other Liabilities	\$ 546	\$ -	\$ 67	\$ 479
Total Liabilities	<u>\$ 546</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 479</u>

	Balance July 1 as restated	Additions	Deletions	Balance June 30
<b>Totals-Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 212,442	\$ 2,492,801	\$ 2,455,995	\$ 249,248
Short-term Investments	81,116	91,637	81,116	91,637
Other Investments	309,657	28,161	32,234	305,584
Accounts Receivable	123,012	160,716	123,427	160,301
Due from Internal Parties (Governmental Funds and Business-type Activities)	8,003	9,999	3	17,999
Other Assets	3,060	-	3,060	-
Total Assets	<u>\$ 737,290</u>	<u>\$ 2,783,314</u>	<u>\$ 2,695,835</u>	<u>\$ 824,769</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 11,202	\$ 218,727	\$ 217,637	\$ 12,292
Amounts Due to Other Governments	248,836	1,775,617	1,697,577	326,876
Due to Internal Parties (Governmental Funds and Business-type Activities)	3,500	74	3,500	74
Obligations Under Securities Lending Program	6,812	15,707	6,812	15,707
Other Liabilities	466,549	773,185	770,305	469,429
Insurance Premiums and Claims Payable	391	-	-	391
Total Liabilities	<u>\$ 737,290</u>	<u>\$ 2,783,310</u>	<u>\$ 2,695,831</u>	<u>\$ 824,769</u>

## Nonmajor Component Units

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

**The Virginia Economic Development Partnership** works to enhance and increase the Commonwealth's commerce and trade.

**The Virginia Outdoors Foundation** promotes preservation and fund raising for the purchase of preservation land.

**The Virginia Port Authority** is empowered to maintain and operate Virginia's harbors and ports.

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

**The Virginia Tourism Authority** promotes tourism and film production industries of the Commonwealth.

**The Virginia Tobacco Settlement Foundation** determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

**The Tobacco Indemnification and Community Revitalization Commission** determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

**The Hampton Roads Sanitation District Commission** operates a sewage system for 17 localities in the Chesapeake Bay Area.

**The Virginia Biotechnology Research Partnership Authority** assists in the development of a biotechnology research park.

**The Virginia Small Business Financing Authority** assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

**The Virginia Schools for the Deaf and Blind Foundation** operates exclusively for the benefit of the Virginia Schools for the Deaf and Blind.

**The Science Museum of Virginia Foundation** operates to implement and fund projects and operations of the Science Museum of Virginia.

**The Belmont Bay Science Center Foundation** promotes programs, projects and operations to educate students.

**The Danville Science Center, Inc. (Foundation)** promotes programs, projects and operations to educate students.

**The Virginia Museum of Fine Arts Foundation** implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

**The A. L. Philpott Manufacturing Extension Partnership** promotes industrial expansion by providing consulting services to manufacturers.

**The Virginia Horse Center Foundation** operates for the benefit of the equine industry.

**The Certified Nursing Facility Education Initiative** provides early on-site training and assistance to certified nursing facilities to help identify and correct deficiencies.

**Assistive Technology Loan Fund Authority** provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

**The Virginia National Defense Industrial Authority** promotes business, technology, transportation, education, economic development and other efforts in support of the mission, execution, and transformation of the United States military and national defense activities located in the Commonwealth.

**The Virginia Coalfield Coalition Authority** builds a diverse, prosperous, self-reliant and globally competitive economy in Virginia's coalfield region.

**The Virginia Land Conservation Foundation** acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

**The Virginia Arts Foundation** works to promote the arts in the Commonwealth.

**The Library of Virginia Foundation** promotes and supports the Library of Virginia.

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**The Higher Education Institutions** account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

**Other Higher Education Institutions** included in this section are:

The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science  
Virginia Military Institute  
Virginia State University  
Norfolk State University  
University of Mary Washington  
James Madison University  
Radford University  
Old Dominion University  
George Mason University  
Virginia Community College System  
Christopher Newport University  
Longwood University  
Southwest Virginia Higher Education Center  
Roanoke Higher Education Authority  
Innovative Technology Authority  
Institute for Advanced Learning and Research  
Southern Virginia Higher Education Center  
Virginia College Building Authority  
New College Institute

**Combining Statement of Net Assets – Nonmajor Component Units**

June 30, 2007

(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,820	\$ 2,957	\$ 40,633	\$ 1,877
Investments	-	-	-	-
Receivables, Net	-	794	34,313	2,077,955
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	13,347	-
Prepaid Items	301	18	13,927	11
Other Assets	224	-	9,778	-
Restricted Cash and Cash Equivalents	-	2,114	117,642	181,949
Restricted Investments	-	-	22,958	563,159
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	8,304	212,132	-
Depreciable Capital Assets, Net	610	161	500,537	10
<b>Total Assets</b>	<b>4,955</b>	<b>14,348</b>	<b>965,267</b>	<b>2,824,961</b>
<b>Liabilities</b>				
Accounts Payable	433	81	26,809	205
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	176	-	-	-
Unearned Revenue	-	-	-	849
Obligations Under Securities Lending Program	-	-	2,709	-
Other Liabilities	-	4	10,405	16,401
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	473	62	27,755	57,728
Due in More Than One Year	1,936	21	494,360	1,638,913
<b>Total Liabilities</b>	<b>3,018</b>	<b>168</b>	<b>562,038</b>	<b>1,714,096</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	609	8,465	268,223	10
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	5,846
Gifts and Grants	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	1,100,628
Debt Service	-	-	60,619	-
Other	1,000	1,100	-	-
Unrestricted	328	4,615	74,387	4,381
<b>Total Net Assets</b>	<b>\$ 1,937</b>	<b>\$ 14,180</b>	<b>\$ 403,229</b>	<b>\$ 1,110,865</b>



Virginia Tourism Authority	Virginia Tobacco Settlement Foundation	Tobacco Indemnification and Community Revitalization Commission	Hampton Roads Sanitation District Commission	Virginia Biotechnology Research Partnership Authority	Virginia Small Business Financing Authority	Virginia Schools for the Deaf and Blind Foundation
\$ 3,189	\$ 9,636	\$ 675,516	\$ 19,241	\$ 1,216	\$ 1,829	\$ 200
-	2,106	8,889	50,107	598	2,380	2,872
-	-	36	21,057	50,082	9,641	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
607	5	5	-	5	-	-
2	5	9,109	2,321	295	-	-
-	-	31,821	6,247	-	17,661	-
-	-	332,093	-	-	-	-
-	-	-	-	-	-	-
-	-	-	56,934	5,280	-	-
192	-	7	401,432	17,395	-	-
<u>3,990</u>	<u>11,752</u>	<u>1,057,476</u>	<u>557,339</u>	<u>74,871</u>	<u>31,511</u>	<u>3,072</u>
515	75	58	26,534	177	43	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
211	-	-	-	250	-	-
-	2,641	11,145	-	-	2,984	-
-	780	7,957	5,132	536	3,230	-
-	-	-	-	-	-	-
206	39	20	13,871	3,380	-	-
1,032	216	141	137,636	58,681	44	-
<u>1,964</u>	<u>3,751</u>	<u>19,321</u>	<u>183,173</u>	<u>63,024</u>	<u>6,301</u>	<u>-</u>
192	-	7	314,708	10,900	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	17,661	-
-	-	-	-	-	-	-
-	-	-	6,247	-	-	-
-	-	363,915	-	-	-	-
<u>1,834</u>	<u>8,001</u>	<u>674,233</u>	<u>53,211</u>	<u>947</u>	<u>7,549</u>	<u>3,072</u>
<u>\$ 2,026</u>	<u>\$ 8,001</u>	<u>\$ 1,038,155</u>	<u>\$ 374,166</u>	<u>\$ 11,847</u>	<u>\$ 25,210</u>	<u>\$ 3,072</u>

Continued on next page

**Combining Statement of Net Assets – Nonmajor Component Units** (Continued from previous page)

June 30, 2007

(Dollars in Thousands)

	Science Museum of Virginia Foundation	Belmont Bay Science Center Foundation	Danville Science Center, Inc.	Virginia Museum of Fine Arts Foundation
<b>Assets</b>				
Cash and Cash Equivalents	\$ 176	\$ 428	\$ 527	\$ 1,299
Investments	2,118	-	394	7,656
Receivables, Net	-	-	2	-
Contributions Receivable, Net	692	260	-	33,537
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	11	-	-	-
Other Assets	42	-	-	969
Restricted Cash and Cash Equivalents	1,158	-	-	1,130
Restricted Investments	10,032	-	242	221,689
Other Restricted Assets	1,756	-	-	-
Nondepreciable Capital Assets	860	-	-	54
Depreciable Capital Assets, Net	375	-	40	1,316
<b>Total Assets</b>	<b>17,220</b>	<b>688</b>	<b>1,205</b>	<b>267,650</b>
<b>Liabilities</b>				
Accounts Payable	5	-	5	361
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	-	-	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	-	-	-
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	-	-	1,184
Due in More Than One Year	777	-	-	36,679
<b>Total Liabilities</b>	<b>782</b>	<b>-</b>	<b>5</b>	<b>38,224</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,236	-	40	1,165
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	5,792	-	242	81,261
Expendable:				
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	7,069	260	49	106,966
Unrestricted	2,341	428	869	40,034
<b>Total Net Assets</b>	<b>\$ 16,438</b>	<b>\$ 688</b>	<b>\$ 1,200</b>	<b>\$ 229,426</b>

<u>A. L. Philpott Manufacturing Extension Partnership</u>	<u>Virginia Horse Center Foundation</u>	<u>Certified Nursing Facility Education Initiative</u>	<u>Assistive Technology Loan Fund Authority</u>	<u>Virginia National Defense Industrial Authority</u>	<u>Virginia Coalfield Coalition Authority</u>	<u>Virginia Land Conservation Foundation</u>
\$ 2,121	433	\$ -	\$ 11,424	\$ -	\$ 33	\$ 11,066
-	-	-	-	-	-	2,419
904	184	-	440	-	198	-
-	148	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	176	-	-
-	83	-	-	-	-	-
-	32	-	7	-	-	-
-	5	-	-	-	-	-
-	611	-	-	-	-	-
-	-	-	-	-	-	-
-	7,315	-	-	-	7,325	-
4	16,516	-	34	-	-	-
<u>3,029</u>	<u>25,327</u>	<u>-</u>	<u>11,905</u>	<u>176</u>	<u>7,556</u>	<u>13,485</u>
565	284	-	17	8	199	2
-	-	-	-	-	-	-
360	58	-	-	-	-	-
-	-	-	-	-	-	3,033
-	178	-	40	-	-	-
-	-	-	-	-	-	-
174	17	-	9	11	-	-
-	11,808	-	-	51	-	17
<u>1,099</u>	<u>12,345</u>	<u>-</u>	<u>66</u>	<u>70</u>	<u>199</u>	<u>3,052</u>
4	12,312	-	34	-	7,325	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	680	-	-	-	-	-
-	155	-	-	-	-	-
<u>1,926</u>	<u>(165)</u>	<u>-</u>	<u>11,805</u>	<u>106</u>	<u>32</u>	<u>10,433</u>
<u>\$ 1,930</u>	<u>12,982</u>	<u>\$ -</u>	<u>\$ 11,839</u>	<u>\$ 106</u>	<u>\$ 7,357</u>	<u>\$ 10,433</u>

Continued on next page

**Combining Statement of Net Assets – Nonmajor Component Units** (Continued from previous page)

June 30, 2007

(Dollars in Thousands)

	Virginia Arts Foundation	Library of Virginia Foundation	College of William and Mary	Virginia Military Institute
<b>Assets</b>				
Cash and Cash Equivalents	\$ 542	\$ 211	\$ 36,760	\$ 23,765
Investments	119	4,277	18,620	93,214
Receivables, Net	-	12	11,780	2,543
Contributions Receivable, Net	-	11	28,925	17,196
Due from Primary Government	-	-	23,767	63,966
Due from Component Units	-	-	5,365	26
Inventory	-	-	634	3,991
Prepaid Items	-	13	2,057	777
Other Assets	-	-	1,903	271
Restricted Cash and Cash Equivalents	-	59	40,302	3
Restricted Investments	-	313	526,045	280,820
Other Restricted Assets	-	-	103,080	17,112
Nondepreciable Capital Assets	-	-	168,898	37,913
Depreciable Capital Assets, Net	-	-	317,173	112,702
<b>Total Assets</b>	<b>661</b>	<b>4,896</b>	<b>1,285,309</b>	<b>654,299</b>
<b>Liabilities</b>				
Accounts Payable	-	54	36,767	8,619
Amounts Due to Other Governments	-	-	-	1,294
Due to Component Units	-	-	-	-
Unearned Revenue	-	-	9,739	944
Obligations Under Securities Lending Program	149	-	1,831	1,194
Other Liabilities	-	-	10,819	2,312
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	-	14,333	2,550
Due in More Than One Year	-	-	176,826	68,681
<b>Total Liabilities</b>	<b>149</b>	<b>54</b>	<b>250,315</b>	<b>85,594</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	-	371,259	134,713
Restricted For:				
Nonexpendable:				
Higher Education	-	-	353,138	104,266
Other	-	175	-	-
Expendable:				
Higher Education	-	-	274,908	273,612
Virginia Pooled Investment Program	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	-	197	-	-
Unrestricted	512	4,470	35,689	56,114
<b>Total Net Assets</b>	<b>\$ 512</b>	<b>\$ 4,842</b>	<b>\$ 1,034,994</b>	<b>\$ 568,705</b>

<u>Virginia State University</u>	<u>Norfolk State University</u>	<u>University of Mary Washington</u>	<u>James Madison University</u>	<u>Radford University</u>	<u>Old Dominion University</u>	<u>George Mason University</u>
\$ 34,018	\$ 16,613	\$ 14,377	\$ 91,647	\$ 62,957	\$ 61,220	\$ 79,095
6,816	5,129	3,632	23,552	11,898	19,626	18,923
6,813	4,354	1,701	7,658	7,315	28,502	21,139
-	3,028	5,934	6,874	1,000	6,711	11,632
22,314	6,707	14,418	13,456	14,043	12,587	47,773
865	446	8	2,021	166	4,041	4,395
-	-	678	764	441	572	146
2,275	357	101	3,923	2,118	6,277	2,981
1,096	1,980	459	51	120	2,193	5,986
23,173	26,610	944	6,122	2,323	29,267	95,089
18,159	11,444	35,347	53,869	39,917	183,709	87,669
-	-	-	-	106	-	11,925
47,459	16,418	22,391	78,318	37,824	75,109	130,088
75,261	141,899	121,757	371,597	96,594	359,050	452,634
<u>238,249</u>	<u>234,985</u>	<u>221,747</u>	<u>659,852</u>	<u>276,822</u>	<u>788,864</u>	<u>969,475</u>
8,671	9,386	7,577	32,301	17,463	36,851	55,903
-	-	-	-	18	-	-
-	-	-	-	-	-	-
3,477	3,446	1,634	10,878	3,294	12,013	27,349
7,222	2,498	379	16,160	13,561	10,207	13,461
3,956	4,672	2,094	14,354	3,697	4,751	10,625
-	-	-	-	-	-	10,500
3,123	4,716	5,117	20,201	2,730	14,362	17,134
70,350	89,295	39,229	107,312	10,518	286,179	368,886
<u>96,799</u>	<u>114,013</u>	<u>56,030</u>	<u>201,206</u>	<u>51,281</u>	<u>364,363</u>	<u>503,858</u>
79,216	96,473	106,230	342,870	133,239	179,171	303,221
6,735	9,799	23,591	35,856	19,929	109,127	57,693
-	-	-	-	-	-	-
36,346	15,637	29,557	43,939	62,808	113,275	72,391
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
19,153	(937)	6,339	35,981	9,565	22,928	32,312
<u>\$ 141,450</u>	<u>\$ 120,972</u>	<u>\$ 165,717</u>	<u>\$ 458,646</u>	<u>\$ 225,541</u>	<u>\$ 424,501</u>	<u>\$ 465,617</u>

Continued on next page

**Combining Statement of Net Assets – Nonmajor Component Units** (Continued from previous page)

June 30, 2007

(Dollars in Thousands)

	Virginia Community College System	Christopher Newport University	Longwood University	Southwest Virginia Higher Education Center
<b>Assets</b>				
Cash and Cash Equivalents	\$ 114,140	\$ 13,694	\$ 32,230	\$ 558
Investments	9,324	2,126	16,614	-
Receivables, Net	14,350	2,098	2,637	1,384
Contributions Receivable, Net	9,532	8,136	2,790	-
Due from Primary Government	126,243	21,627	23,216	373
Due from Component Units	4,249	121	127	-
Inventory	2,127	1,187	668	-
Prepaid Items	7,770	1,025	903	52
Other Assets	116	1,808	608	-
Restricted Cash and Cash Equivalents	28,674	5,566	23,745	-
Restricted Investments	100,801	8,467	36,371	-
Other Restricted Assets	-	550	203	-
Nondepreciable Capital Assets	156,637	82,377	54,546	57
Depreciable Capital Assets, Net	449,334	226,585	132,623	9,140
<b>Total Assets</b>	<b>1,023,297</b>	<b>375,367</b>	<b>327,281</b>	<b>11,564</b>
<b>Liabilities</b>				
Accounts Payable	55,104	8,312	7,877	1,293
Amounts Due to Other Governments	4,975	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	22,521	958	1,374	-
Obligations Under Securities Lending Program	246	2,423	8,565	-
Other Liabilities	4,353	4,987	12,862	22
Loans Payable to Primary Government	480	-	-	-
Long-term Liabilities:				
Due Within One Year	19,258	7,788	3,401	72
Due in More Than One Year	120,945	173,298	89,474	156
<b>Total Liabilities</b>	<b>227,882</b>	<b>197,766</b>	<b>123,553</b>	<b>1,543</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	554,940	133,526	111,690	9,197
Restricted For:				
Nonexpendable:				
Higher Education	46,190	13,194	25,210	-
Other	-	-	-	-
Expendable:				
Higher Education	185,198	26,084	44,713	-
Virginia Pooled Investment Program	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	-	-
Unrestricted	9,087	4,797	22,115	824
<b>Total Net Assets</b>	<b>\$ 795,415</b>	<b>\$ 177,601</b>	<b>\$ 203,728</b>	<b>\$ 10,021</b>

Roanoke Higher Education Authority	Innovative Technology Authority	Institute for Advanced Learning and Research	Southern Virginia Higher Education Center	Virginia College Building Authority	New College Institute	Total Nonmajor Component Units
\$ 820	\$ 3,189	\$ 1,411	\$ 32	\$ 122	\$ 134	\$ 1,375,156
-	2,999	-	-	-	-	316,408
5,278	1,113	1,232	40	14,896	-	2,330,451
-	-	-	-	-	-	136,406
-	-	-	-	-	138	390,628
32	-	46	25	-	-	22,109
-	-	-	95	-	-	24,733
-	152	128	-	-	-	45,838
-	61	-	-	156	-	39,558
136	-	-	39	137,295	-	779,680
63	-	-	-	-	-	2,533,167
-	-	-	-	-	-	134,732
560	7,300	810	-	-	-	1,214,909
20,008	17,309	4,466	244	-	-	3,847,005
26,897	32,123	8,093	475	152,469	272	13,190,780
140	853	1,057	118	5	88	344,815
-	-	-	-	-	-	6,287
-	-	-	-	63,116	-	63,292
675	18	204	-	-	-	100,252
-	-	-	-	-	-	100,408
60	1,035	29	-	25,269	-	150,560
-	-	-	-	-	-	10,980
2,618	1,025	239	38	81,141	-	304,775
7	6,270	-	83	747,347	69	4,737,237
3,500	9,201	1,529	239	916,878	157	5,818,606
20,569	17,526	5,276	244	-	-	3,224,590
-	-	-	-	-	-	804,728
-	-	-	-	-	-	87,470
110	500	111	34	75,582	134	1,254,939
-	-	-	-	-	-	5,846
-	-	-	-	-	-	17,661
-	-	-	-	-	-	1,100,628
-	-	-	-	-	-	67,546
-	-	-	-	-	-	480,711
2,718	4,896	1,177	(42)	(839,991)	(19)	328,055
\$ 23,397	\$ 22,922	\$ 6,564	\$ 236	\$ (764,409)	\$ 115	\$ 7,372,174

## Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Higher Education</b>				
College of William and Mary	\$ 336,998	\$ 145,797	\$ 107,351	\$ 97,168
Virginia Military Institute	70,117	28,722	52,508	76,178
Virginia State University	111,944	41,175	24,760	26,811
Norfolk State University	135,785	51,414	29,265	22,574
University of Mary Washington	87,027	56,066	2,136	19,866
James Madison University	317,452	212,729	27,868	48,644
Radford University	139,489	73,352	26,353	18,285
Old Dominion University	327,111	141,273	70,545	17,441
George Mason University	516,477	251,938	116,247	61,968
Virginia Community College System	805,838	225,486	140,895	193,417
Christopher Newport University	110,047	63,083	6,868	28,287
Longwood University	91,810	51,359	15,886	22,705
Southwest Virginia Higher Education Center	6,276	699	3,424	383
Roanoke Higher Education Authority	5,150	1,118	54	9,904
Innovative Technology Authority	15,505	2,047	4,618	-
Institute for Advanced Learning and Research	11,461	318	3,646	-
Southern Virginia Higher Education Center	1,869	262	97	-
Virginia College Building Authority	250,505	49,441	-	-
New College Institute	1,106	-	193	-
Total Higher Education	<u>3,341,967</u>	<u>1,396,279</u>	<u>632,714</u>	<u>643,631</u>
<b>Other Nonmajor Component Units</b>				
Virginia Economic Development Partnership	18,258	330	-	-
Virginia Outdoors Foundation	2,463	1,042	1,615	-
Virginia Port Authority	257,988	249,152	-	301
Virginia Resources Authority	77,059	106,395	-	39,651
Virginia Tourism Authority	19,319	530	2,015	-
Virginia Tobacco Settlement Foundation	11,360	-	-	-
Tobacco Idemnification and Community Revitalization Commission	68,659	-	1,200	-
Hampton Roads Sanitation District Commission	124,588	131,626	-	-
Virginia Biotechnology Research Partnership Authority	5,937	6,054	-	-
Virginia Small Business Financing Authority	989	705	-	-
Virginia Schools for the Deaf and Blind Foundation	61	-	-	-
Science Museum of Virginia Foundation	2,421	-	777	-
Belmont Bay Science Center Foundation	420	-	-	-
Danville Science Center, Inc.	392	-	27	-
Virginia Museum of Fine Arts Foundation	25,655	-	1,327	-
A. L. Philpott Manufacturing Extension Partnership	4,905	2,680	1,639	-
Virginia Horse Center Foundation	6,566	3,286	485	991
Certified Nursing Facility Education Initiative	15	-	-	-
Assistive Technology Loan Fund Authority	919	-	473	-
Virginia National Defense Industrial Authority	404	-	-	-
Virginia Coalfield Coalition Authority	7	-	-	7,359
Virginia Land Conversation Foundation	6,723	-	663	-
Virginia Arts Foundation	9	29	23	-
Library of Virginia Foundation	729	-	49	-
Total Other Nonmajor	<u>635,846</u>	<u>501,829</u>	<u>10,293</u>	<u>48,302</u>
Total Nonmajor Component Units	<u>\$ 3,977,813</u>	<u>\$ 1,898,108</u>	<u>\$ 643,007</u>	<u>\$ 691,933</u>



Net (Expenses) Revenue	General Revenues				
	Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Tobacco Master Settlement & Securitization
\$ 13,318	\$ 75,372	\$ 23,770	\$ 33,557	\$ 26,772	\$ -
87,291	13,566	22	18,224	397	-
(19,198)	39,229	777	4,125	839	-
(32,532)	50,153	2,614	1,987	806	-
(8,959)	23,091	1,802	6,860	137	-
(28,211)	81,051	1,175	12,563	1,503	-
(21,499)	52,217	109	5,512	1,524	-
(97,852)	121,048	105	19,102	-	-
(86,324)	139,657	202	10,113	1,014	-
(246,040)	389,882	6,421	13,371	7,806	-
(11,809)	29,796	994	1,599	1,091	-
(1,860)	28,993	573	1,507	237	-
(1,770)	1,977	-	-	-	-
5,926	1,287	-	394	7	-
(8,840)	7,670	-	424	-	-
(7,497)	5,967	-	-	529	-
(1,510)	1,409	50	-	-	-
(201,064)	98,856	-	6,546	-	-
(913)	1,028	-	-	-	-
(669,343)	1,162,249	38,614	135,884	42,662	-
(17,928)	18,803	-	261	52	-
194	1,300	33	285	2	-
(8,535)	36,500	-	8,733	166	-
68,987	-	-	-	-	-
(16,774)	17,009	-	247	-	-
(11,360)	-	25	354	-	12,522
(67,459)	-	-	23,419	88	645,056
7,038	-	-	4,357	-	-
117	-	-	23	-	-
(284)	1,328	-	720	-	-
(61)	-	-	336	-	-
(1,644)	-	1,024	1,312	-	-
(420)	-	1,075	20	-	-
(365)	-	1,301	95	-	-
(24,328)	-	3,603	32,734	213	-
(586)	629	-	-	-	-
(1,804)	4,544	-	113	8,793	-
(15)	-	-	-	-	-
(446)	-	-	595	-	-
(404)	510	-	-	-	-
7,352	-	-	2	3	-
(6,060)	3,000	-	771	-	-
43	-	-	9	23	-
(680)	-	122	582	-	-
(75,422)	83,623	7,183	74,968	9,340	657,578
\$ (744,765)	\$ 1,245,872	\$ 45,797	\$ 210,852	\$ 52,002	\$ 657,578

Continued on next page

**Combining Statement of Activities – Nonmajor Component Units** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Contributions to Permanent and Term Endowments	Extraordinary Items	Changes in Net Assets	Net Assets (Deficit) July 1 as restated	Net Assets (Deficit) June 30
<b>Higher Education</b>					
College of William and Mary	\$ 13,873	\$ -	\$ 186,662	\$ 848,332	\$ 1,034,994
Virginia Military Institute	3,577	-	123,077	445,628	568,705
Virginia State University	1,226	-	26,998	114,452	141,450
Norfolk State University	516	-	23,544	97,428	120,972
University of Mary Washington	2,966	-	25,897	139,820	165,717
James Madison University	6,896	-	74,977	383,669	458,646
Radford University	793	-	38,656	186,885	225,541
Old Dominion University	4,820	-	47,223	377,278	424,501
George Mason University	4,042	-	68,704	396,913	465,617
Virginia Community College System	6,393	-	177,833	617,582	795,415
Christopher Newport University	3,403	2,531	27,605	149,996	177,601
Longwood University	558	-	30,008	173,720	203,728
Southwest Virginia Higher Education Center	-	-	207	9,814	10,021
Roanoke Higher Education Authority	-	-	7,614	15,783	23,397
Innovative Technology Authority	-	-	(746)	23,668	22,922
Institute for Advanced Learning and Research	-	-	(1,001)	7,565	6,564
Southern Virginia Higher Education Center	-	-	(51)	287	236
Virginia College Building Authority	-	-	(95,662)	(668,747)	(764,409)
New College Institute	-	-	115	-	115
Total Higher Education	<u>49,063</u>	<u>2,531</u>	<u>761,660</u>	<u>3,320,073</u>	<u>4,081,733</u>
<b>Other Nonmajor Component Units</b>					
Virginia Economic Development Partnership	-	-	1,188	749	1,937
Virginia Outdoors Foundation	-	-	1,814	12,366	14,180
Virginia Port Authority	-	-	36,864	366,365	403,229
Virginia Resources Authority	-	-	68,987	1,041,878	1,110,865
Virginia Tourism Authority	-	-	482	1,544	2,026
Virginia Tobacco Settlement Foundation	-	-	1,541	6,460	8,001
Tobacco Idemnification and Community Revitalization Commission	-	-	601,104	437,051	1,038,155
Hampton Roads Sanitation District Commission	-	-	11,395	362,771	374,166
Virginia Biotechnology Research Park Authority	-	-	140	11,707	11,847
Virginia Small Business Financing Authority	-	-	1,764	23,446	25,210
Virginia School for the Deaf and Blind Foundation	-	-	275	2,797	3,072
Science Museum of Virginia Foundation	1,318	-	2,010	14,428	16,438
Belmont Bay Science Center Foundation	13	-	688	-	688
Danville Science Center Foundation	169	-	1,200	-	1,200
Virginia Museum of Fine Arts Foundation	7,744	-	19,966	209,460	229,426
A. L. Philpott Manufacturing Extension Partnership	-	-	43	1,887	1,930
Virginia Horse Center Foundation	-	-	11,646	1,336	12,982
Certified Nursing Facility Education Initiative	-	-	(15)	15	-
Assistive Technology Loan Fund Authority	-	-	149	11,690	11,839
Virginia National Defense Industrial Authority	-	-	106	-	106
Virginia Coalfield Coalition Authority	-	-	7,357	-	7,357
Virginia Land Conversation Foundation	-	-	(2,289)	12,722	10,433
Virginia Arts Foundation	-	-	75	437	512
Library of Virginia Foundation	105	-	129	4,713	4,842
Total Other Nonmajor	<u>9,349</u>	<u>-</u>	<u>766,619</u>	<u>2,523,822</u>	<u>3,290,441</u>
Total Nonmajor Component Units	<u>\$ 58,412</u>	<u>\$ 2,531</u>	<u>\$ 1,528,279</u>	<u>\$ 5,843,895</u>	<u>\$ 7,372,174</u>

# Debt Schedules

**Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth**

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
<b>Tax-Supported Debt:</b>					
<b>Primary Government:</b>					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	\$ 821,563	\$ 626,124	\$ 555,447	\$ 428,891	\$ 471,118
Section 9(c) Bonds (2)	78,766	90,374	101,585	107,495	118,500
Subtotal - General Obligation Bonds	900,329	716,498	657,032	536,386	589,618
Non-General Obligation Debt:					
Section 9(d) Bonds (2)	2,562,737	2,313,423	2,183,467	1,962,418	2,055,463
Other Long-term Debt and Obligations (3)	1,487,825	1,399,553	1,185,757	1,278,534	1,148,633
Total Primary Government	4,950,891	4,429,474	4,026,256	3,777,338	3,793,714
<b>Component Units:</b>					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	411,842	325,969	296,963	316,923	349,185
Subtotal - General Obligation Bonds	411,842	325,969	296,963	316,923	349,185
Non-General Obligation Bonds:					
Section 9(d) Bonds (2)	1,122,133	953,560	970,208	706,232	765,046
Other Long-term Debt (3)	787,640	656,186	557,838	471,946	447,417
Total Component Units	2,321,615	1,935,715	1,825,009	1,495,101	1,561,648
<b>Total Tax-Supported Debt</b>	<b>7,272,506</b>	<b>6,365,189</b>	<b>5,851,265</b>	<b>5,272,439</b>	<b>5,355,362</b>
<b>Debt Not Supported by Taxes:</b>					
<b>Primary Government:</b>					
Total Primary Government (2)	2,872,390	2,911,350	3,046,216	2,870,199	2,985,325
<b>Component Units:</b>					
Section 9(d) Moral Obligation Bonds	1,127,950	1,202,791	1,318,889	1,709,233	1,966,018
Section 9(d) Other Debt	815,247	840,779	546,062	563,986	538,207
Other Long-term Debt (4)	11,180,297	9,529,110	8,861,783	7,510,899	7,039,945
Foundations (5)	1,076,230	738,850	644,529	484,147	-
Total Component Units	14,199,724	12,311,530	11,371,263	10,268,265	9,544,170
<b>Total Debt Not Supported by Taxes</b>	<b>17,072,114</b>	<b>15,222,880</b>	<b>14,417,479</b>	<b>13,138,464</b>	<b>12,529,495</b>
<b>Total Debt of the Commonwealth</b>	<b>\$ 24,344,620</b>	<b>\$ 21,588,069</b>	<b>\$ 20,268,744</b>	<b>\$ 18,410,903</b>	<b>\$ 17,884,857</b>

	2007	2006	2005	2004	2003
Section 9(b) Debt:					
Transportation Facilities Bonds	\$ 24,263	\$ 29,660	\$ 34,792	\$ 39,672	\$ 48,719
Public Facilities Bonds	797,300	596,464	520,655	389,219	422,399
Subtotal 9(b) Debt	821,563	626,124	555,447	428,891	471,118
Section 9(c) Debt:					
Higher Educational Institution Bonds	411,842	325,969	296,963	316,923	349,185
Transportation Facilities Bonds	69,962	80,435	90,545	101,128	111,301
Parking Facilities Bonds	8,804	9,939	11,040	6,367	7,199
Subtotal 9(c) Debt	490,608	416,343	398,548	424,418	467,685
Total General Obligation Debt (1)	\$ 1,312,171	\$ 1,042,467	\$ 953,995	\$ 853,309	\$ 938,803

- (1) Total General Obligation Debt for the fiscal year ended.
- (2) Net of unamortized discounts, premiums, deferrals on debt defeasance, and/or issuance expenses.
- (3) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.
- (4) Includes bonds payable, notes payable, and other debt not supported by taxes.
- (5) Beginning in fiscal year 2004, Foundations represent FASB reporting entities defined in Note 1.B.

## Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
<b>Primary Government:</b>					
<b>General Obligation Debt (1) (4):</b>					
Section 9(b) Debt					
Transportation Facilities (2)	\$ 24,263	\$ 29,660	\$ 34,792	\$ 39,672	\$ 48,719
Public Facilities (2)	797,300	596,464	520,655	389,219	422,399
Subtotal Section 9(b) Debt	821,563	626,124	555,447	428,891	471,118
Section 9(c) Debt					
Parking Facilities (2)	8,804	9,939	11,040	6,367	7,199
Transportation Facilities (2)	69,962	80,435	90,545	101,128	111,301
Subtotal Section 9(c) Debt	78,766	90,374	101,585	107,495	118,500
Subtotal General Obligation Debt	900,329	716,498	657,032	536,386	589,618
<b>Non-General Obligation Debt:</b>					
Section 9(d) Debt:					
Transportation Debt (2)	987,550	1,021,172	1,041,397	1,074,589	1,098,968
Virginia Public Building Authority (2)	1,575,187	1,292,251	1,142,070	887,829	956,495
Subtotal Section 9(d) Debt	2,562,737	2,313,423	2,183,467	1,962,418	2,055,463
<b>Other Long-term Debt:</b>					
Transportation Notes Payable	12,325	12,325	12,325	12,325	12,325
Regional Jail Construction	11,693	13,375	15,030	16,654	18,252
Capital Lease Obligations	125,033	126,615	133,799	299,953	249,123
Installment Purchase Obligations (3)	59,574	50,485	24,047	29,228	34,780
Virginia Public Broadcasting Board Notes Payable	11,070	13,485	15,775	17,950	20,005
Industrial Development Authority Obligations	19,010	23,160	27,100	30,845	34,410
Economic Development Authority Obligations	100,387	100,592	-	-	-
Aviation Notes Payable	2,482	2,768	3,055	3,341	3,627
Subtotal Other Long-term Debt	341,574	342,805	231,131	410,296	372,522
<b>Other Long-term Obligations:</b>					
Compensated Absences	340,008	328,799	313,896	304,839	303,479
Pension Liability	789,771	709,835	621,969	542,471	452,550
Other Liabilities	16,472	18,114	18,761	20,928	20,082
Subtotal Other Long-term Obligations	1,146,251	1,056,748	954,626	868,238	776,111
<b>Total Primary Government</b>	<b>4,950,891</b>	<b>4,429,474</b>	<b>4,026,256</b>	<b>3,777,338</b>	<b>3,793,714</b>
<b>Component Units:</b>					
<b>General Obligation Bonds (1) (4):</b>					
Section 9(c) Debt					
Higher Educational Institutions (2)	411,842	325,969	296,963	316,923	349,185
Subtotal General Obligation Debt	411,842	325,969	296,963	316,923	349,185
<b>Non-General Obligation Debt:</b>					
Section 9(d) Debt:					
Virginia Port Authority (2)	236,300	251,219	265,518	212,798	222,221
Innovative Technology Authority	7,145	7,935	8,635	9,345	9,965
Virginia College Building Authority	828,488	641,954	641,450	402,794	448,525
Virginia Biotechnology Research Park Authority	50,200	52,452	54,605	81,295	84,335
Subtotal Section 9(d) Debt	1,122,133	953,560	970,208	706,232	765,046
<b>Other Long-term Debt:</b>					
Long-term Capital Lease Obligations	124,738	59,532	46,272	44,123	52,364
Installment Purchase Obligations (3)	126,755	137,788	85,614	25,227	17,844
Subtotal Other Long-term Debt	251,493	197,320	131,886	69,350	70,208
<b>Other Long-term Obligations:</b>					
Compensated Absences	220,887	199,127	187,489	182,306	174,296
Pension Liability	315,260	259,739	238,463	220,290	202,913
Subtotal Other Long-term Obligations	536,147	458,866	425,952	402,596	377,209
<b>Total Component Units</b>	<b>2,321,615</b>	<b>1,935,715</b>	<b>1,825,009</b>	<b>1,495,101</b>	<b>1,561,648</b>
<b>Total Tax-Supported Debt</b>	<b>\$ 7,272,506</b>	<b>\$ 6,365,189</b>	<b>\$ 5,851,265</b>	<b>\$ 5,272,439</b>	<b>\$ 5,355,362</b>

- (1) The General Obligation Debt is the only debt or long-term obligation that is backed by the full faith, credit, and taxing power of the Commonwealth.
- (2) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
- (3) Reflected as Notes Payable in Note 23, Long-term Liabilities.
- (4) See Note 1 on previous page.

## Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
<b>Primary Government:</b>					
Other Long-term Debt & Obligations:					
Federal Reimbursement Anticipation Notes Payable (1)	\$ 800,538	\$ 918,494	\$ 746,877	\$ 834,992	\$ 919,243
Pocahontas Parkway Association Bonds	-	-	463,357	447,372	432,563
Pension Liability	16,966	14,474	12,990	11,601	9,909
Compensated Absences	8,682	8,262	7,859	7,852	8,192
Installment Purchase Obligations	2,610	5,967	9,709	12,475	15,917
Tuition Benefits Payable	1,730,482	1,617,517	1,430,383	1,157,712	1,177,780
Lottery Prizes Payable	313,112	346,636	375,041	398,195	421,721
<b>Total Primary Government</b>	<b>2,872,390</b>	<b>2,911,350</b>	<b>3,046,216</b>	<b>2,870,199</b>	<b>2,985,325</b>
<b>Component Units:</b>					
<b>Section 9(d) Moral Obligation Debt: (1)</b>					
Virginia Housing Development Authority	449,350	498,314	623,790	735,600	915,890
Virginia Public School Authority (1991 Resolution)	-	-	-	248,837	345,435
Virginia Resources Authority	678,600	704,477	695,099	724,796	704,693
<b>Subtotal Section 9(d) Moral Obligation Debt</b>	<b>1,127,950</b>	<b>1,202,791</b>	<b>1,318,889</b>	<b>1,709,233</b>	<b>1,966,018</b>
<b>Section 9(d) Other Debt:</b>					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	624,609	646,914	445,392	456,816	420,712
Teaching Hospitals Revenue Bonds (4)	190,638	193,865	100,670	107,170	117,495
<b>Subtotal Section 9(d) Other Debt</b>	<b>815,247</b>	<b>840,779</b>	<b>546,062</b>	<b>563,986</b>	<b>538,207</b>
<b>Other Long-term Debt:</b>					
Virginia Housing Development Authority (1) (2)	5,548,833	4,656,701	4,003,396	3,476,198	3,834,763
Hampton Roads Sanitation District	143,658	144,450	138,509	133,567	142,046
Virginia Equine Center	-	15,320	15,540	15,745	15,970
Virginia Biotechnology Research Park Authority	10,975	11,880	12,730	13,525	14,265
Virginia Public School Authority (1) (2)	2,860,310	2,689,512	2,449,447	2,059,419	1,767,624
Virginia Port Authority	230,817	141,118	142,650	146,427	148,255
Virginia Resources Authority	1,017,988	677,382	591,196	516,423	215,431
Notes Payable	1,034,475	908,394	1,139,395	858,031	606,984
Bond Anticipation Notes	40,000	-	-	-	1,303
Other Long-term Debt	293,241	284,353	368,920	291,564	293,304
Foundations (5)	1,076,230	738,850	644,529	484,147	-
<b>Subtotal Other Long-term Debt</b>	<b>12,256,527</b>	<b>10,267,960</b>	<b>9,506,312</b>	<b>7,995,046</b>	<b>7,039,945</b>
<b>Subtotal Section 9(d) and Other Debt</b>	<b>13,071,774</b>	<b>11,108,739</b>	<b>10,052,374</b>	<b>8,559,032</b>	<b>7,578,152</b>
<b>Total Component Units</b>	<b>14,199,724</b>	<b>12,311,530</b>	<b>11,371,263</b>	<b>10,268,265</b>	<b>9,544,170</b>
<b>Total Debt Not Supported by Taxes (3)</b>	<b>\$ 17,072,114</b>	<b>\$ 15,222,880</b>	<b>\$ 14,417,479</b>	<b>\$ 13,138,464</b>	<b>\$ 12,529,495</b>

(1) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.

(2) Includes notes payable and/or installment purchase obligations.

(3) These amounts are not backed by the full faith, credit, and taxing power of the Commonwealth.

(4) Beginning in fiscal year 2002, this includes the Virginia Commonwealth University Health System Authority.

(5) Beginning in fiscal year 2004, Foundations represent FASB reporting entities defined in Note 1.B.

**Authorized and Unissued Tax-Supported Debt**

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	As of June 30, 2006	New Debt Authorized	Debt Issued	Other Adjust- ments	As of June 30, 2007
<b>Section 9(b) Debt (Primary Government):</b>					
Higher Educational Institution Bonds	\$ 606,984	\$ -	\$ 219,300	\$ (10,700)	\$ 376,984
Park and Recreational Facilities	65,344	-	23,575	(1,425)	40,344
Subtotal Section 9(b) Debt	<u>672,328</u>	<u>-</u>	<u>242,875</u>	<u>(12,125)</u>	<u>417,328</u>
<b>Section 9(c) Debt (Primary Government):</b>					
Higher Educational Institution Bonds	395,429	103,550	109,870	(308)	388,801
Subtotal Section 9(c) Debt	<u>395,429</u>	<u>103,550</u>	<u>109,870</u>	<u>(308)</u>	<u>388,801</u>
<b>Section 9(d) Debt:</b>					
<b>Primary Government:</b>					
Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program)	97,100	-	-	-	97,100
Transportation Capital Projects Revenue Bonds	-	3,000,000	-	-	3,000,000
Economic Development Authority Obligations	90,238	-	-	(56,000)	34,238
<b>Component Units:</b>					
Virginia Public Building Authority (Projects)	643,306	99,000	261,522	56,000	536,784
Virginia Public Building Authority (Juvenile Detention Facilities)	6,687	-	5,765	(922)	-
Virginia Public Building Authority (Jails)	117,802	85,100	82,779	-	120,123
Virginia College Building Authority (21st Century)	241,517	41,000	169,495	(153)	112,869
Virginia College Building Authority (Equipment Program)	136,903	-	82,600	(2,598)	51,705
Subtotal Section 9(d) Debt	<u>1,333,553</u>	<u>3,225,100</u>	<u>602,161</u>	<u>(3,673)</u>	<u>3,952,819</u>
<b>Total Authorized and Unissued Tax-Supported Debt</b>	<u>\$ 2,401,310</u>	<u>\$ 3,328,650</u>	<u>\$ 954,906</u>	<u>\$ (16,106)</u>	<u>\$ 4,758,948</u>

## Tax-Supported Debt – Annual Debt Service Requirements [1]

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 107,645	\$ 59,828	\$ 167,473	\$ 266,862	\$ 165,503	\$ 432,365
2009	106,819	55,385	162,204	269,491	154,235	423,726
2010	103,835	50,724	154,559	264,286	142,110	406,396
2011	101,247	45,819	147,066	257,256	130,174	387,430
2012	90,740	40,972	131,712	248,811	118,094	366,905
2013	91,045	36,489	127,534	225,756	106,350	332,106
2014	81,050	31,978	113,028	222,664	95,625	318,289
2015	77,080	27,973	105,053	228,007	84,691	312,698
2016	68,615	24,164	92,779	227,837	73,900	301,737
2017	55,715	20,899	76,614	213,454	63,610	277,064
2018	49,090	18,191	67,281	193,265	53,960	247,225
2019	47,965	15,965	63,930	171,915	45,112	217,027
2020	46,665	13,772	60,437	148,358	37,386	185,744
2021	47,810	11,592	59,402	143,706	30,930	174,636
2022	42,090	9,313	51,403	126,735	24,694	151,429
2023	41,205	7,246	48,451	122,785	19,083	141,868
2024	39,230	5,373	44,603	116,366	13,794	130,160
2025	29,300	3,547	32,847	93,989	8,711	102,700
2026	22,090	2,217	24,307	81,314	5,081	86,395
2027	11,720	1,212	12,932	41,196	2,368	43,564
2028	3,950	651	4,601	15,388	990	16,378
2029	4,125	479	4,604	5,724	575	6,299
2030	4,300	300	4,600	5,800	394	6,194
2031	2,645	112	2,757	5,897	204	6,101
2032	-	-	-	1,724	-	1,724
Subtotal	<u>1,275,976</u>	<u>484,201</u>	<u>1,760,177</u>	<u>3,698,586</u>	<u>1,377,574</u>	<u>5,076,160</u>
Add						
Accretion on						
Capital Appreciation						
Bonds	-	-	-	9,691	-	9,691
Add						
Unamortized						
Premium	58,607	-	58,607	175,936	-	175,936
Less						
Unamortized						
Discount	(905)	-	(905)	(4,381)	-	(4,381)
Less						
Deferral on						
Debt Defeasance	(21,507)	-	(21,507)	(49,693)	-	(49,693)
Total	<u>\$ 1,312,171</u>	<u>\$ 484,201</u>	<u>\$ 1,796,372</u>	<u>\$ 3,830,139</u>	<u>\$ 1,377,574</u>	<u>\$ 5,207,713</u>

[1] Includes Virginia Biotechnology Research Park Authority, Innovative Technology Authority, Newport News Industrial Development Authority, Virginia Public Broadcasting Board, Fairfax County Economic Development Authority, Virginia Aviation Board and Transportation Notes Payable. Does not include other capital leases, installment purchase obligations, regional jail reimbursements under the original Treasury Board program, compensated absences, pension liability, and uninsured employers fund.

[2] Includes principal amount of \$2,575,063 (dollars in thousands) which includes Transportation Notes Payable of \$12,325 (dollars in thousands) for the primary government.



Total		
Principal	Interest	Total
\$ 374,507	\$ 225,331	\$ 599,838
376,310	209,620	585,930
368,121	192,834	560,955
358,503	175,993	534,496
339,551	159,066	498,617
316,801	142,839	459,640
303,714	127,603	431,317
305,087	112,664	417,751
296,452	98,064	394,516
269,169	84,509	353,678
242,355	72,151	314,506
219,880	61,077	280,957
195,023	51,158	246,181
191,516	42,522	234,038
168,825	34,007	202,832
163,990	26,329	190,319
155,596	19,167	174,763
123,289	12,258	135,547
103,404	7,298	110,702
52,916	3,580	56,496
19,338	1,641	20,979
9,849	1,054	10,903
10,100	694	10,794
8,542	316	8,858
1,724	-	1,724
<u>4,974,562</u>	<u>1,861,775</u>	<u>6,836,337</u>
9,691	-	9,691
234,543	-	234,543
(5,286)	-	(5,286)
(71,200)	-	(71,200)
<u>\$ 5,142,310</u>	<u>\$ 1,861,775</u>	<u>\$ 7,004,085</u>

## Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(b) Debt (Primary Government):</b>					
<b>Transportation Facilities Bonds</b>					
Series 2003 Refunding	\$ 40,370	\$ 27,155	\$ (4,885)	\$ 22,270	06/01/08-11
Deferral on Debt Defeasance	-	(592)	119	(473)	
Unamortized Premium	-	3,097	(631)	2,466	
<b>Total Transportation Facilities Bonds</b>	<b>40,370</b>	<b>29,660</b>	<b>(5,397)</b>	<b>24,263</b>	
<b>Public Facilities Bonds</b>					
Series 1997	97,045	5,110	(5,110)	-	
Series 1998 Refunding	59,235	47,650	(8,625)	39,025	06/01/08-13
Series 1998	50,990	6,230	(3,115)	3,115	06/01/08
Series 1999	20,125	3,180	(1,060)	2,120	06/01/08-09
Series 2002 Refunding	114,865	65,260	(10,180)	55,080	06/01/08-16
Series 2003	50,400	42,855	(2,515)	40,340	06/01/08-23
Series 2004	243,680	227,240	(8,220)	219,020	06/01/08-24
Series 2005	118,110	112,280	(5,925)	106,355	06/01/08-25
Series 2006 Refunding	61,535	61,535	(2,780)	58,755	06/01/08-15
Series 2006B	117,910	-	112,420	112,420	06/01/08-26
Series 2007A	124,965	-	124,965	124,965	06/01/08-27
Deferral on Debt Defeasance	-	(10,246)	1,338	(8,908)	
Unamortized Premium	-	35,370	9,643	45,013	
<b>Total Public Facilities Bonds</b>	<b>1,058,860</b>	<b>596,464</b>	<b>200,836</b>	<b>797,300</b>	
<b>Total Section 9(b) Debt</b>	<b>1,099,230</b>	<b>626,124</b>	<b>195,439</b>	<b>821,563</b>	
<b>Section 9(c) Debt</b>					
<b>Higher Educational Institution Bonds (Component Units)</b>					
<b>Series 1979 Bonds</b>					
James Madison University					
Dormitory Complex	3,695	545	(180)	365	06/01/08-09
<b>Subtotal Series 1979 Bonds</b>	<b>3,695</b>	<b>545</b>	<b>(180)</b>	<b>365</b>	
<b>Series 1981 Bonds</b>					
Virginia Commonwealth University					
Low-Rise Dormitory	4,932	1,157	(215)	942	06/01/08-11
<b>Subtotal Series 1981 Bonds</b>	<b>4,932</b>	<b>1,157</b>	<b>(215)</b>	<b>942</b>	
<b>Series 1983 Bonds</b>					
Old Dominion University					
Mid-Rise Dormitory	3,500	1,115	(145)	970	06/01/08-13
Powhatan Field Apartments, Phase II	3,636	1,170	(150)	1,020	06/01/08-13
Virginia Commonwealth University					
Low-Rise Dormitory	4,050	1,290	(170)	1,120	06/01/08-13
<b>Subtotal Series 1983 Bonds</b>	<b>11,186</b>	<b>3,575</b>	<b>(465)</b>	<b>3,110</b>	
<b>Series 1989 Bonds</b>					
George Mason University					
Humanities III	9,400	2,299	(717)	1,582	06/01/08-09
Residence Hall III	10,697	2,616	(816)	1,800	06/01/08-09
University of Virginia					
Student Health Center	1,300	318	(99)	219	06/01/08-09
<b>Subtotal Series 1989 Bonds</b>	<b>21,397</b>	<b>5,233</b>	<b>(1,632)</b>	<b>3,601</b>	

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 1990 Bonds</b>					
University of Virginia					
Judge Advocate General School	6,265	2,230	(485)	1,745	06/01/08-10
<b>Subtotal Series 1990 Bonds</b>	<b>6,265</b>	<b>2,230</b>	<b>(485)</b>	<b>1,745</b>	
<b>Series 1995 Bonds</b>					
College of William and Mary					
Underground Utility	1,535	75	(75)	-	
George Mason University					
Prince William Site and Parking	2,115	-	-	-	
University of Virginia					
Newcomb Hall Expansion	10,855	530	(530)	-	
Student Residence Facility	4,890	240	(240)	-	
Virginia State University					
Dorm Renovation	2,685	215	(215)	-	
Foster Hall	2,305	185	(185)	-	
Langston Hall	2,575	205	(205)	-	
<b>Subtotal Series 1995 Bonds</b>	<b>26,960</b>	<b>1,450</b>	<b>(1,450)</b>	<b>-</b>	
<b>Series 1997 Bonds</b>					
College of William and Mary					
Dormitory Renovation Phase II	760	35	(35)	-	
Dormitory Repairs	3,390	160	(160)	-	
Utility System	2,000	95	(95)	-	
James Madison University					
Dining Hall Renovation	1,330	65	(65)	-	
Residence Hall	11,625	545	(545)	-	
Student Services	6,200	290	(290)	-	
Virginia Commonwealth University					
Academic Parking Deck	12,280	595	(595)	-	
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	1,550	75	(75)	-	
Residence Hall	15,895	770	(770)	-	
<b>Subtotal Series 1997 Bonds</b>	<b>55,030</b>	<b>2,630</b>	<b>(2,630)</b>	<b>-</b>	
<b>Series 1998 Bonds</b>					
College of William and Mary					
Dormitory Renovation	6,390	585	(285)	300	06/01/08
George Mason University					
Arl-Metro Parking	1,915	455	(220)	235	06/01/08
James Madison University					
Dining Facilities Renovation	1,080	100	(50)	50	06/01/08
Virginia Polytechnic Institute and State University					
Dining Hall	3,255	300	(145)	155	06/01/08
Virginia State University					
Jones Dining Hall	1,045	95	(45)	50	06/01/08
<b>Subtotal Series 1998 Bonds</b>	<b>13,685</b>	<b>1,535</b>	<b>(745)</b>	<b>790</b>	

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**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>General Obligation Debt</b> (continued)					
<b>Section 9(c) Debt</b> (continued)					
<b>Higher Educational Institution Bonds (Component Units)</b> (continued)					
<b>Series 1998 Refunding Bonds</b>					
Christopher Newport University					
Dormitory and Dining 1992C	3,260	2,583	(263)	2,320	06/01/08-15
Dormitory and Dining 1994	170	156	(76)	80	06/01/08
College of William and Mary					
Dormitory Phase II 1994	362	334	(164)	170	06/01/08
Dormitory 1992D	701	661	(84)	577	06/01/08-13
Dormitory 1994	33	31	(16)	15	06/01/08
University Center 1992C	6,617	5,103	(636)	4,467	06/01/08-13
George Mason University					
Student Union II 1992A	1,572	1,080	(160)	920	06/01/08-12
James Madison University					
Student Activities 1992C	4,599	3,546	(440)	3,106	06/01/08-13
Longwood University					
Student Housing 1992A	2,949	2,029	(299)	1,730	06/01/08-12
University of Mary Washington					
Residence Hall 1992C	2,094	1,613	(201)	1,412	06/01/08-13
University of Virginia					
Central Ground Parking 1992D	6,146	5,802	(724)	5,078	06/01/08-13
CVC Dormitory 1992C	409	303	(47)	256	06/01/08-12
HSC Parking 1992D	843	795	(96)	699	06/01/08-13
West Scott Stadium 1992D	614	580	(75)	505	06/01/08-13
VCCS/Northern Virginia Community College					
NVCC Parking Deck 1992A	1,869	1,281	(186)	1,095	06/01/08-12
Virginia Commonwealth University					
Dormitory Renovations 1992D	1,636	1,544	(191)	1,353	06/01/08-13
Housing Repairs 1992C	755	560	(83)	477	06/01/08-12
MCV Parking 1992C	5,198	4,007	(498)	3,509	06/01/08-13
Virginia Polytechnic Institute and State University					
Dormitory Repairs 1992C	1,440	1,359	(170)	1,189	06/01/08-13
Dormitory 1992D	1,380	1,303	(165)	1,138	06/01/08-13
Residence Hall 1992C	3,158	2,435	(301)	2,134	06/01/08-13
<b>Subtotal Series 1998 Refunding Bonds</b>	<b>45,805</b>	<b>37,105</b>	<b>(4,875)</b>	<b>32,230</b>	
<b>Series 1999 Bonds</b>					
Christopher Newport University					
Residence Hall II	12,980	1,790	(570)	1,220	06/01/08-09
Longwood University					
Dining Hall	3,020	395	(125)	270	06/01/08-09
Residence Hall Improvements	2,825	375	(120)	255	06/01/08-09
University of Virginia					
Residence Hall - Wise	4,665	645	(205)	440	06/01/08-09
Virginia Polytechnic Institute and State University					
Dining Hall HVAC	1,800	250	(80)	170	06/01/08-09
<b>Subtotal Series 1999 Bonds</b>	<b>25,290</b>	<b>3,455</b>	<b>(1,100)</b>	<b>2,355</b>	

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 2001 Bonds</b>					
Christopher Newport University					
New Residence Hall	23,050	6,915	(944)	5,971	06/01/08-21
College of William and Mary					
Renovate Dormitories	4,875	1,415	(195)	1,220	06/01/08-21
George Mason University					
Housing Building V	21,780	9,915	(735)	9,180	06/01/08-24
Housing Renovations	3,435	2,055	(380)	1,675	06/01/08-11
James Madison University					
Bluestone Dorm Phase III	5,900	1,685	(230)	1,455	06/01/08-21
University of Mary Washington					
Residence hall Renovation	1,925	555	(75)	480	06/01/08-21
University of Virginia					
Res. Hall-Monroe Lane	4,670	1,355	(185)	1,170	06/01/08-21
<b>Subtotal Series 2001 Bonds</b>	<b>65,635</b>	<b>23,895</b>	<b>(2,744)</b>	<b>21,151</b>	
<b>Series 2002 Bonds</b>					
College of William and Mary					
Dorm Renovations	5,015	4,265	(185)	4,080	06/01/08-22
George Mason University					
Housing Building V	8,635	7,345	(320)	7,025	06/01/08-22
James Madison University					
Bluestone Dorm Renovations I	2,045	1,735	(75)	1,660	06/01/08-22
Bluestone Dorm Renovations II	2,125	1,805	(80)	1,725	06/01/08-22
Old Dominion University					
Housing Renovation	2,565	2,185	(95)	2,090	06/01/08-22
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	975	760	(55)	705	06/01/08-17
<b>Subtotal Series 2002 Bonds</b>	<b>21,360</b>	<b>18,095</b>	<b>(810)</b>	<b>17,285</b>	
<b>Series 2002 Refunding Bonds</b>					
College of William and Mary					
Dorm Renovations	362	281	(36)	245	06/01/08-13
Dorm Repairs	898	898	(4)	894	06/01/08-16
Underground Utility	878	878	-	878	06/01/08-16
University Center	121	95	(10)	85	06/01/08-13
George Mason University					
University Center	14,696	12,370	(1,140)	11,230	06/01/08-15
James Madison University					
Residence Facility	3,089	2,444	(304)	2,140	06/01/08-13
Longwood University					
Dining Hall	3,072	3,072	(13)	3,059	06/01/08-16
University of Mary Washington					
Telecommunications	2,647	2,054	(254)	1,800	06/01/08-13
University of Virginia					
Newcomb Hall Expansion Projects	6,213	6,213	-	6,213	06/01/08-16
Student Residence Facility Project	2,796	2,796	-	2,796	06/01/08-16
Virginia Commonwealth University					
Visitors Deck	1,823	1,823	(8)	1,815	06/01/08-16

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>General Obligation Debt</b> (continued)					
<b>Section 9(c) Debt</b> (continued)					
<b>Higher Educational Institution Bonds (Component Units)</b> (continued)					
<b>Series 2002 Refunding Bonds</b> (continued)					
Virginia State University					
Dorm Renovation	690	690	-	690	06/01/08-10
Foster Hall	592	592	-	592	06/01/08-10
Jones Dining Hall	1,358	1,358	(6)	1,352	06/01/08-16
Langston Hall	661	661	-	661	06/01/08-10
<b>Subtotal Series 2002 Refunding Bonds</b>	<b>39,896</b>	<b>36,225</b>	<b>(1,775)</b>	<b>34,450</b>	
<b>Series 2003 Refunding Bonds</b>					
Christopher Newport University					
Dormitory Project	1,209	808	(145)	663	06/01/08-11
College of William and Mary					
Graduate Housing	3,906	2,585	(481)	2,104	06/01/08-11
Randolph Residences	881	465	(148)	317	06/01/08-09
Tyler Hall Renovation	410	173	(83)	90	06/01/08
George Mason University					
Residence Hall IV	5,438	3,297	(775)	2,522	06/01/08-10
James Madison University					
Gibbons Hall Renovation	1,316	800	(189)	611	06/01/08-10
Student Residence Hall	1,387	588	(286)	302	06/01/08
Longwood University					
Housing Repairs	212	131	(29)	102	06/01/08-10
Norfolk State University					
Cafeteria Renovation	2,234	1,477	(276)	1,201	06/01/08-11
Residence Hall	1,948	1,183	(276)	907	06/01/08-10
Residence Hall	5,133	3,395	(632)	2,763	06/01/08-11
Old Dominion University					
Athletic Facility	2,970	1,801	(422)	1,379	06/01/08-10
Multi-Level Parking	2,333	1,417	(334)	1,083	06/01/08-10
Property at 43rd and Hampton	148	64	(32)	32	06/01/08
Webb Center Addition	3,686	2,434	(452)	1,982	06/01/08-11
University of Mary Washington					
Residence Hall	1,461	889	(209)	680	06/01/08-10
University of Virginia					
Heater/Chiller Replacement	583	355	(82)	273	06/01/08-10
Student Housing	7,587	5,019	(933)	4,086	06/01/08-11
Virginia Polytechnic Institute and State University					
Dorm and Dining Renovation	2,694	1,781	(332)	1,449	06/01/08-11
Parking Renovations	2,268	1,501	(281)	1,220	06/01/08-11
Squires Center Renovation	684	412	(97)	315	06/01/08-10
Squires Student Center	1,755	1,160	(216)	944	06/01/08-11
Student Activities Center	5,457	2,315	(1,130)	1,185	06/01/08
<b>Subtotal Series 2003 Refunding Bonds</b>	<b>55,700</b>	<b>34,050</b>	<b>(7,840)</b>	<b>26,210</b>	
<b>Series 2004 New Money and Refunding Bonds</b>					
Christopher Newport University					
New Residence Hall - '01 Refunded Portion	12,842	12,582	-	12,582	06/01/08-20
Residence Hall II - '99 Refunded Portion	8,416	8,240	-	8,240	06/01/08-19

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 2004 New Money and Refunding Bonds (continued)</b>					
College of William & Mary					
Dorm Renovation Phase II - '97 Refunded Portion	469	459	-	459	06/01/08-17
Dorm Renovations - '98 Refunded Portion	3,778	3,705	-	3,705	06/01/08-18
Dorm Repairs - '97 Refunded Portion	2,077	2,034	-	2,034	06/01/08-17
Renovate Dormitories - '01 Refunded Portion	2,629	2,576	-	2,576	06/01/08-20
Utility System - '97 Refunded Portion	1,226	1,201	-	1,201	06/01/08-17
George Mason University					
Commonwealth and Dominion Housing	2,340	1,955	(210)	1,745	06/01/08-14
Housing Building V - '01 Refunded Portion	9,940	9,739	-	9,739	06/01/08-20
James Madison University					
Bluestone Dorm, Phase II - '01 Refunded Portion	3,130	3,066	-	3,066	06/01/08-20
Dining Facilities Renovation - '98 Ref. Portion	638	626	-	626	06/01/08-18
Dining Hall Renovation - '97 Refunded Portion	818	801	-	801	06/01/08-17
Residence Hall - '97 Refunded Portion	7,093	6,946	-	6,946	06/01/08-17
Student Services - '97 Refunded Portion	3,783	3,705	-	3,705	06/01/08-17
Longwood University					
Dining Hall - '99 Refunded Portion	1,868	1,829	-	1,829	06/01/08-19
Residence Hall Improvements - '99 Refunded Portion	1,747	1,710	-	1,710	06/01/08-19
University of Mary Washington					
Residence Hall Renovation - '01 Refunded Portion	1,036	1,015	-	1,015	06/01/08-20
University of Virginia					
Residence Hall - Monroe Lane - '01 Ref. Portion	2,513	2,462	-	2,462	06/01/08-20
Residence Hall - Wise - '99 Refunded Portion	3,020	2,957	-	2,957	06/01/08-19
Virginia Commonwealth University					
Academic Parking Deck - '97 Refunded Portion	7,723	7,563	-	7,563	06/01/08-17
Virginia Military Institute					
VMI - Crozet Hall and Parking	11,240	10,890	(360)	10,530	06/01/08-25
Virginia Polytechnic Institute and State University					
Dining Hall - '98 Refunded Portion	1,928	1,891	-	1,891	06/01/08-18
Dining Hall HVAC - '99 Refunded Portion	1,168	1,143	-	1,143	06/01/08-19
Parking Auxilliary Project - '97 Refunded Portion	951	931	-	931	06/01/08-17
Residence Hall - '97 Refunded Portion	9,995	9,788	-	9,788	06/01/08-17
Renovate Dietrick Severy, Phase II	4,800	4,485	(165)	4,320	06/01/08-24
Virginia State University					
Jones Dining Hall - '98 Refunded Portion	618	606	-	606	06/01/08-18
<b>Subtotal Series 2004 New Money and Refunding Bonds</b>	<b>107,786</b>	<b>104,905</b>	<b>(735)</b>	<b>104,170</b>	
<b>Series 2005 Bonds</b>					
College of William & Mary					
Renovate Dining	9,555	9,555	(300)	9,255	06/01/08-26
Renovate Dorms	5,800	5,800	(180)	5,620	06/01/08-26
George Mason University					
Student Housing	25,800	25,800	-	25,800	06/01/08-30
Longwood University					
Renovate Housing Facilities	3,915	3,710	(125)	3,585	06/01/08-25
Old Dominion University					
Renovate Housing - Phase I	4,735	4,490	(155)	4,335	06/01/08-25

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**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>General Obligation Debt</b> (continued)					
<b>Section 9(c) Debt</b> (continued)					
<b>Higher Educational Institution Bonds (Component Units)</b> (continued)					
<b>Series 2005 Bonds</b> (continued)					
University of Mary Washington					
Seacobeck Dining Hall	4,730	4,485	(155)	4,330	06/01/08-25
<b>Subtotal Series 2005 Bonds</b>	<b>54,535</b>	<b>53,840</b>	<b>(915)</b>	<b>52,925</b>	
<b>Series 2006 Refunding Bonds</b>					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	1,725	-	1,725	06/01/08-21
College of William & Mary					
Dorm - '96 Refunding, Refunded Portion	100	100	-	100	06/01/08-14
Dorm, Phase II -'96 Refunding, Refunded Portion	1,525	1,525	-	1,525	03/01/07-15
Dorm Repairs -'96A Refunded Portion	165	165	(80)	85	06/01/08
Longwood University					
Dining Hall - '96A Refunded Portion	565	565	(270)	295	06/01/08
Virginia Commonwealth University					
Visitors Deck - '96A Refunded Portion	335	335	(160)	175	06/01/08
Virginia State University					
Jones Dining Hall -'96A Refunded Portion	255	255	(120)	135	06/01/08
<b>Subtotal Series 2006 Refunding Bonds</b>	<b>4,670</b>	<b>4,670</b>	<b>(630)</b>	<b>4,040</b>	
<b>Series 2006 Bonds</b>					
College of William & Mary					
Renovate Dormitories	4,515	-	4,290	4,290	06/01/08-26
George Mason University					
Construct Student Housing VII	39,080	-	39,080	39,080	06-01/07-31
Renovate Housing Facilities	2,420	-	2,420	2,420	06/01/08-16
James Madison University					
Renovate Residence Hall Phase III	6,230	-	5,915	5,915	06/01/08-26
Longwood University					
Renovate Housing Facilities	5,900	-	5,605	5,605	06/01/08-26
Old Dominion University					
Construct Residence Hall Phase II	8,785	-	8,340	8,340	06/01/08-26
Virginia Polytechnic Institute and State					
Parking Projects	685	-	650	650	06/01/08-26
Virginia State University					
Construct Dining Hall	4,330	-	4,330	4,330	06/01/08-26
Construct Residence Halls	16,780	-	16,780	16,780	06/01/08-26
<b>Subtotal Series 2006 Bonds</b>	<b>88,725</b>	<b>-</b>	<b>87,410</b>	<b>87,410</b>	
<b>Series 2007 Bonds</b>					
Virginia Polytechnic Institute and State					
Construct New Residence Hall	13,130	-	13,130	13,130	06/01/08-27
Improve Residence and Dining Halls	5,995	-	5,995	5,995	06/01/08-27
Virginia State University					
Construct Residence Halls	2,020	-	2,020	2,020	06/01/08-27
<b>Subtotal Series 2007 Bonds</b>	<b>21,145</b>	<b>-</b>	<b>21,145</b>	<b>21,145</b>	
Deferral on Debt Defeasance	-	(11,119)	1,189	(9,930)	
Unamortized Premium	-	2,493	5,355	7,848	
<b>Subtotal Higher Educational Institution Bonds</b>	<b>673,697</b>	<b>325,969</b>	<b>85,873</b>	<b>411,842</b>	



Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Transportation Facilities Bonds (Primary Government)</b>					
Series 1989, Dulles Toll Road	34,348	8,300	(2,587)	5,713	06/01/08-09
Series 1998, Coleman Bridge Refunding	3,135	2,905	(1,415)	1,490	06/01/08
Series 2002, Dulles Refunding	24,615	24,615	(40)	24,575	06/01/08-16
Series 2003, Dulles Refunding	18,765	7,285	(3,759)	3,526	006/01/08
Series 2006, Dulles Refunding	4,535	4,535	(2,220)	2,315	006/01/08
Series 2006, Coleman Refunding	31,880	31,880	(240)	31,640	006/01/08-21
Deferral on Debt Defeasance	-	(1,993)	64	(1,929)	
Unamortized Premium	-	2,908	(276)	2,632	
<b>Subtotal Transportation Facilities</b>					
<b>Bonds</b>	<u>117,278</u>	<u>80,435</u>	<u>(10,473)</u>	<u>69,962</u>	
<b>Parking Facilities Bonds (Primary Government)</b>					
Series 2002 Refunding	230	230	-	230	06/01/08-15
Series 2003 Refunding	5,860	3,879	(720)	3,159	06/01/08-11
Series 2004	5,390	5,040	(185)	4,855	06/01/08-24
Series 2006 Refunding	345	345	(165)	180	06/01/08
Deferral on Debt Defeasance	-	(313)	46	(267)	
Unamortized Premium	-	758	(111)	647	
<b>Subtotal Parking Facilities</b>					
<b>Bonds</b>	<u>11,825</u>	<u>9,939</u>	<u>(1,135)</u>	<u>8,804</u>	
<b>Total Section 9(c) Debt</b>	<u>802,800</u>	<u>416,343</u>	<u>74,265</u>	<u>490,608</u>	
<b>Total General Obligation Debt</b>	<u>1,902,030</u>	<u>1,042,467</u>	<u>269,704</u>	<u>1,312,171</u>	
<b>Non-General Obligation Debt</b>					
<b>Section 9(d) Debt</b>					
<b>Virginia Public Building Authority Bonds (Primary Government)</b>					
Series 1992B	94,335	8,302	(8,302)	-	
Accreted Principal	-	52,527	(3,804)	48,723	08/01/07-10
Series 1997A	152,885	13,700	(6,650)	7,050	08/01/07
Series 1998A Refunding	147,000	111,345	(16,035)	95,310	08/01/07-13
Series 1998B	40,425	5,440	(1,725)	3,715	08/01/07-08
Series 1999A	68,920	8,875	(2,835)	6,040	08/01/07-08
Series 1999B	27,730	7,355	(1,710)	5,645	08/01/07-09
Series 2000A	104,990	21,930	(3,935)	17,995	08/01/07-10
Series 2001A	35,830	30,835	(1,390)	29,445	08/01/07-21
Series 2002A	55,000	49,315	(2,100)	47,215	08/01/07-22
Series 2003A	38,809	35,455	(3,730)	31,725	08/01/07-14
Series 2004A	187,106	185,406	(8,560)	176,846	08/01/07-16
Series 2004B	207,065	198,375	(9,620)	188,755	08/01/07-24
Series 2004C	39,260	36,285	(3,035)	33,250	08/01/07-15
Series 2004D	106,460	106,095	(380)	105,715	08/01/07-20
Series 2005A	47,305	44,275	(800)	43,475	08/01/07-18
Series 2005B	135,675	135,675	(100)	135,575	08/01/07-19
Series 2005C	165,810	165,810	(10,300)	155,510	08/01/07-22
Series 2005D	50,000	50,000	-	50,000	08/01/22-25
Series 2006A	135,000	-	135,000	135,000	08/01/07-26
Series 2006B	215,065	-	215,065	215,065	08/01/07-26
Deferral on Debt Defeasance	-	(32,549)	3,961	(28,588)	
Unamortized Premium	-	57,800	13,921	71,721	
<b>Total Virginia Public Building Authority</b>					
<b>Bonds</b>	<u>2,054,670</u>	<u>1,292,251</u>	<u>282,936</u>	<u>1,575,187</u>	

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)**

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>Non-General Obligation Debt</b>					
<b>Section 9(d) Debt</b>					
<b>Virginia College Building Authority Bonds (Component Unit) (1)</b>					
21st Century College Program					
Series 1996	53,160	5,160	(2,510)	2,650	08/01/07
Series 1998	54,785	19,225	(10,925)	8,300	08/01/07-09
Series 1999	59,495	13,475	(8,000)	5,475	02/01/08-13
Series 2000	60,900	1,800	(570)	1,230	02/01/08-09
Series 2001	65,795	15,145	(8,060)	7,085	02/01/08-15
Series 2002	130,795	82,150	(51,670)	30,480	02/01/08-15
Series 2003	140,250	110,260	(10,365)	99,895	02/01/08-23
Series 2004A	172,745	147,385	(11,855)	135,530	02/01/08-24
Series 2004B Refunding	61,395	60,235	(55)	60,180	02/01/08-20
Series 2005	115,785	103,285	(11,500)	91,785	02/01/08-25
Series 2006A	53,835	53,835	(7,875)	45,960	02/01/08-11
Series 2006BC	120,000	-	114,995	114,995	02/01/08-26
Series 2007A	59,125	-	59,125	59,125	02/01/08-22
Series 2007B	132,095	-	132,095	132,095	02/01/08-27
Deferral on Debt Defeasance	-	(4,248)	(1,537)	(5,785)	
Unamortized Premium	-	34,247	5,241	39,488	
<b>Total Virginia College Building Authority Bonds</b>	<b>1,280,160</b>	<b>641,954</b>	<b>186,534</b>	<b>828,488</b>	
<b>Transportation Debt (Primary Government)</b>					
Route 28 Refunding Bonds	111,680	112,281	(2,247)	110,034	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	546,470	(28,930)	517,540	11/15/03-26
Northern Virginia Transportation District Program	324,410	310,265	(13,900)	296,365	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	24,205	(1,045)	23,160	11/15/03-22
Deferral on Debt Defeasance	-	(22,410)	7,413	(14,997)	
Unamortized Premium	-	50,361	5,087	55,448	
<b>Total Section 9(d) Transportation Debt</b>	<b>1,075,785</b>	<b>1,021,172</b>	<b>(33,622)</b>	<b>987,550</b>	
<b>Virginia Port Authority Debt (Component Unit)</b>					
Series 1996	38,300	3,765	(1,830)	1,935	10/15/96-07
Refunding Series 1998	71,015	28,730	(9,085)	19,645	04/01/98-08
Series 2002	135,000	132,040	(2,495)	129,545	7/11/92-27
Series 2005	60,000	60,000	(1,245)	58,755	7/01/05-30
Series 2006	21,730	21,730	-	21,730	7/01/07-16
Deferral on Debt Defeasance	-	(370)	48	(322)	
Unamortized Premium	-	5,324	(312)	5,012	
<b>Total Virginia Port Authority Debt</b>	<b>326,045</b>	<b>251,219</b>	<b>(14,919)</b>	<b>236,300</b>	
<b>Innovative Technology Authority Debt (Component Unit)</b>					
Series 1997	13,300	7,935	(790)	7,145	5/1/97-14
<b>Virginia Biotechnology Research Park Authority (Component Unit)</b>					
Series 1996	91,010	52,030	(2,225)	49,805	09/01/03-22
Unamortized Premium	-	422	(27)	395	
	91,010	52,452	(2,252)	50,200	
<b>Virginia Public Broadcasting Board</b>					
Board Notes Payable	23,840	13,485	(2,415)	11,070	08/01/03-11

Series	Amount Issued	Outstanding June 30, 2006	Issued (Retired) During Year	Outstanding June 30, 2007	Maturity
<b>Non-General Obligation Debt</b>					
<b>Section 9(d) Debt</b>					
<b>Industrial Development Authority Obligations</b>	42,490	23,160	(4,150)	19,010	03/01/03-11
<b>Economic Development Authority Obligations</b>	96,515	96,515	-	96,515	12/01/06-26
Unamortized Premium	-	4,077	(205)	3,872	
	96,515	100,592	(205)	100,387	
<b>Total Section 9(d) Debt</b>	<b>5,003,815</b>	<b>3,404,220</b>	<b>411,117</b>	<b>3,815,337</b>	
<b>Non-General Obligation Debt and Other Obligations</b>					
<b>Other Long-term Debt (2)</b>					
Capital Leases	-	186,147	63,624	249,771	
Installment Purchase Obligations	-	188,273	(1,944)	186,329	
Transportation Notes Payable	-	12,325	-	12,325	
Regional Jail Construction Liability	-	13,375	(1,682)	11,693	
Aviation Note Payable	6,600	2,768	(286)	2,482	
<b>Total Other Long-term Debt</b>	<b>6,600</b>	<b>402,888</b>	<b>59,712</b>	<b>462,600</b>	
<b>Other Long-term Obligations</b>					
Compensated Absences	-	527,926	32,969	560,895	
Pension Liability	-	969,574	135,457	1,105,031	
Other	-	18,114	(1,642)	16,472	
<b>Total Other Long-term Obligations</b>	<b>-</b>	<b>1,515,614</b>	<b>166,784</b>	<b>1,682,398</b>	
<b>Total Non-General Obligation Debt and Other Obligations</b>	<b>5,010,415</b>	<b>5,322,722</b>	<b>637,613</b>	<b>5,960,335</b>	
<b>Total Tax-Supported Debt and Other Obligations</b>	<b>\$ 6,912,445</b>	<b>\$ 6,365,189</b>	<b>\$ 907,317</b>	<b>\$ 7,272,506</b>	

(1) These amounts are reported as notes payable on the Higher Education Institutions' financial statements.

(2) Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Governmental Activities includes Internal Service Funds.



# STATISTICAL SECTION

The financial presentations included in this section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

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These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and well-being have changed over time.	
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These schedules present information to help the reader assess the affordability of the Commonwealth's current levels of outstanding debt and the Commonwealth's ability to issue debt in the future.	
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commonwealth's financial activities take place and to help make comparisons over time and with other governments.	
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These schedules contain information about the Commonwealth's operations and resources to help the reader understand how the Commonwealth's financial information relates to the services the Commonwealth provides and the activities it performs.	
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<b>Sources:</b> Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Commonwealth implemented GASB Statement No. 34, <i>Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments</i> , in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.	



## Financial Trends

**Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis**  
**General Governmental Revenue by Source and Expenditures by Function (1)**

For Fiscal Year Ended June 30  
(Dollars in Millions)

	2007	2006	2005	2004
<b>Tax Revenues:</b>				
Individual and Fiduciary Income	\$ 9,629	\$ 9,236	\$ 8,344	\$ 7,380
Sales and Use	3,760	3,682	3,569	3,007
Motor Fuels	930	902	912	904
Corporation Income	889	869	644	426
Public Service Corporations	89	91	89	91
Motor Vehicle Sales and Use	588	593	599	589
Gross Premiums of Insurance Companies	385	374	374	351
Alcoholic Beverage Sales Tax	100	94	89	86
Deeds, Contracts, Wills, and Suits	584	696	597	341
Beer and Beverage Excise	44	44	43	43
Estate	140	167	161	148
Tobacco Products	188	189	122	16
Bank Stock	13	12	10	9
Wine and Spirits / ABC Liter	18	16	14	8
Other Taxes	79	78	71	134
Total Tax Revenues	<u>17,436</u>	<u>17,043</u>	<u>15,638</u>	<u>13,533</u>
<b>Other Revenues:</b>				
<b>Federal and Other Grants, Donations, and Federal</b>				
Revenue Sharing	6,204	5,958	5,627	5,832
Institutional Revenue	360	343	324	338
Sales of Property and Commodities	24	32	37	28
Rights and Privileges	826	816	758	734
Interest, Dividends, and Rents	532	256	204	84
Fines, Forfeitures, Costs, Penalties and Escheats	334	279	317	317
Assessments - Special Services	110	103	105	96
Other Revenues	558	634	685	475
Total Other Revenues	<u>8,948</u>	<u>8,421</u>	<u>8,057</u>	<u>7,904</u>
Total Revenues	<u>\$ 26,384</u>	<u>\$ 25,464</u>	<u>\$ 23,695</u>	<u>\$ 21,437</u>
Percentage Increase Over Previous Year	3.6%	7.5%	10.5%	6.9%
<b>Expenditures by Function:</b>				
Education	\$ 8,700	\$ 7,661	\$ 7,068	\$ 6,236
Administration of Justice	2,398	2,296	2,204	2,052
Individual and Family Services	8,996	8,626	8,060	7,525
Resources and Economic Development	812	788	708	668
Transportation	3,141	3,092	3,115	2,917
General Government (2)	2,545	2,246	2,101	2,179
Enterprises	-	-	-	-
Capital Outlay	808	588	414	193
Total Expenditures	<u>\$ 27,400</u>	<u>\$ 25,297</u>	<u>\$ 23,670</u>	<u>\$ 21,770</u>
Percentage Increase Over Previous Year	8.3%	6.9%	8.7%	3.0%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) Fiscal years 2001-1998 represent basis of budgeting amounts.

(2) Beginning in 2002, General Government expenditure amounts include debt service principal retirement and interest charges.

Source: Department of Accounts



	2003	2002	2001	2000	1999	1998
\$	6,751	\$ 6,758	\$ 7,226	\$ 6,829	\$ 6,088	\$ 5,405
	2,722	2,646	2,661	2,574	2,410	2,240
	881	859	821	794	778	759
	344	236	364	566	420	451
	99	82	98	104	112	102
	529	527	497	492	436	394
	333	293	268	251	245	237
	81	76	73	70	64	61
	286	214	168	146	158	127
	42	42	41	41	40	39
	141	138	127	150	154	122
	15	15	15	15	16	16
	9	10	5	12	13	8
	9	10	10	7	7	7
	109	91	63	58	52	44
	<u>12,351</u>	<u>11,997</u>	<u>12,437</u>	<u>12,109</u>	<u>10,993</u>	<u>10,012</u>
	5,524	4,916	3,778	3,459	3,264	3,035
	334	444	466	439	376	331
	26	28	122	91	91	71
	689	623	601	577	541	516
	191	264	218	169	166	136
	380	330	171	162	163	148
	96	99	114	52	48	37
	468	1,101	941	875	589	536
	7,708	7,805	6,411	5,824	5,238	4,810
\$	<u>20,059</u>	<u>19,802</u>	<u>18,848</u>	<u>17,933</u>	<u>16,231</u>	<u>14,822</u>
	1.3%	5.1%	5.1%	10.5%	9.5%	7.1%
\$	6,250	\$ 6,187	\$ 4,659	\$ 4,353	\$ 4,125	\$ 3,614
	2,032	2,157	2,072	1,898	1,730	1,537
	7,134	6,864	5,985	5,609	5,105	4,800
	641	721	707	614	574	502
	3,044	3,269	2,846	2,585	2,634	2,377
	1,925	1,805	1,508	1,175	791	525
	-	-	107	94	92	81
	108	255	326	354	363	477
\$	<u>21,134</u>	<u>21,258</u>	<u>18,210</u>	<u>16,682</u>	<u>15,414</u>	<u>13,913</u>
	-0.6%	16.7%	9.2%	8.2%	10.8%	6.9%

**Net Assets by Component (1)**  
**Accrual Basis of Accounting**

Last Five Fiscal Years  
(Dollars in Millions)

	For the Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
<b>Governmental Activities:</b>					
Invested in Capital Assets, Net of Related Debt	\$ 13,835	\$ 11,637	\$ 11,830	\$ 11,097	\$ 9,811
Restricted	1,893	1,588	1,252	857	883
Unrestricted	944	2,874	841	598	440
<b>Total Governmental Activities Net Assets</b>	<b>16,672</b>	<b>16,099</b>	<b>13,923</b>	<b>12,552</b>	<b>11,134</b>
<b>Business-type Activities:</b>					
Invested in Capital Assets, Net of Related Debt	30	32	(132)	22	24
Restricted	872	790	600	412	437
Unrestricted	212	17	(49)	(250)	(290)
<b>Total business-type Activities Net Assets</b>	<b>1,114</b>	<b>839</b>	<b>419</b>	<b>184</b>	<b>171</b>
<b>Primary Government:</b>					
Invested in Capital Assets, Net of Related Debt	13,865	11,669	11,698	11,119	9,835
Restricted	2,765	2,378	1,852	1,269	1,320
Unrestricted	1,156	2,891	792	348	150
<b>Total Primary Government Net Assets</b>	<b>\$ 17,786</b>	<b>\$ 16,938</b>	<b>\$ 14,342</b>	<b>\$ 12,736</b>	<b>\$ 11,305</b>

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

**Changes in Net Assets (1)**  
**Accrual Basis of Accounting**

Last Five Fiscal Years  
(Dollars in Millions)

	For the Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$ 2,645	\$ 2,015	\$ 2,029	\$ 1,947	\$ 1,654
Education	9,542	7,926	7,269	6,497	6,484
Transportation	2,256	2,559	2,493	2,217	2,210
Resources and Economic Development	841	835	765	687	669
Individual and Family Services	9,022	8,570	7,991	7,587	7,153
Administration of Justice	2,659	2,493	2,262	2,126	2,115
Interest on Long-term Debt	203	209	167	172	189
<b>Total Governmental Activities Expenses</b>	<b>27,168</b>	<b>24,607</b>	<b>22,976</b>	<b>21,233</b>	<b>20,474</b>
<b>Business-type Activities:</b>					
State Lottery	929	908	908	846	759
Virginia College Savings Plan	180	238	311	4	408
Pocahontas Parkway	-	-	39	37	37
Unemployment Compensation	382	339	359	485	712
Alcoholic Beverage Control	434	408	-	-	-
Local Choice Health Care	179	165	-	-	-
Other	109	147	653	611	533
<b>Total Business-type Activities Expenses</b>	<b>2,213</b>	<b>2,205</b>	<b>2,270</b>	<b>1,983</b>	<b>2,449</b>
<b>Total Primary Government Expenses</b>	<b>\$ 29,381</b>	<b>\$ 26,812</b>	<b>\$ 25,246</b>	<b>\$ 23,216</b>	<b>\$ 22,923</b>
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Services:					
General Government	\$ 216	\$ 251	\$ 258	\$ 224	\$ 195
Education	350	311	272	228	304
Transportation	583	601	537	518	523
Resources and Economic Development	299	280	241	226	205
Individual and Family Services	370	394	398	394	341
Administration of Justice	292	286	294	346	321
Operating Grants and Contributions	5,870	5,671	5,262	5,312	4,796
Capital Grants and Contributions	851	707	578	734	779
<b>Total Governmental Activities Program Revenues</b>	<b>8,831</b>	<b>8,501</b>	<b>7,840</b>	<b>7,982</b>	<b>7,464</b>
<b>Business-type Activities:</b>					
Charges for Services:					
State Lottery	1,366	1,367	1,334	1,262	1,136
Virginia College Savings Plan	328	272	379	109	234
Pocahontas Parkway	-	-	10	7	5
Unemployment Compensation	438	543	539	445	263
Alcoholic Beverage Control	525	497	-	-	-
Local Choice Health Care	207	186	-	-	-
Other	127	125	747	684	576
Operating Grants and Contributions	36	27	19	17	38
<b>Total Business-type Activities Program Revenue</b>	<b>3,027</b>	<b>3,017</b>	<b>3,028</b>	<b>2,524</b>	<b>2,252</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 11,858</b>	<b>\$ 11,518</b>	<b>\$ 10,868</b>	<b>\$ 10,506</b>	<b>\$ 9,716</b>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (18,337)	\$ (16,106)	\$ (15,136)	\$ (13,251)	\$ (13,010)
Business-type Activities	814	812	758	541	(197)
<b>Total Primary Government Net Expense</b>	<b>\$ (17,523)</b>	<b>\$ (15,294)</b>	<b>\$ (14,378)</b>	<b>\$ (12,710)</b>	<b>\$ (13,207)</b>

Continued on next page

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

**Changes in Net Assets (1)****Accrual Basis of Accounting** *(Continued from previous page)*Last Five Fiscal Years  
(Dollars in Millions)

	For the Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental Activities:</b>					
Taxes:					
Individual and Fiduciary Income	\$ 9,639	\$ 9,206	\$ 8,356	\$ 7,364	\$ 6,816
Sales and Use	3,756	3,679	3,578	3,014	2,736
Corporation Income	906	838	651	412	326
Motor Fuel	930	938	912	908	882
Motor Vehicle Sales and Use	588	593	599	589	529
Premiums of Insurance Companies	385	374	374	351	333
Public Service Corporations	89	91	89	92	99
Other Taxes	1,161	1,296	1,108	784	689
Unrestricted Grants and Contributions	50	48	53	52	61
Investment Earnings	477	221	154	25	135
Miscellaneous	154	115	291	284	486
Transfers	564	581	535	549	466
Contributions to Permanent and Term Endowments	20	-	-	-	-
<b>Total Governmental Activities</b>	<b>18,719</b>	<b>17,980</b>	<b>16,700</b>	<b>14,424</b>	<b>13,558</b>
<b>Business-type Activities:</b>					
Other Taxes	12	12	12	12	5
Investment earnings	11	12	10	9	12
Miscellaneous	-	1	1	-	2
Transfers	(563)	(581)	(535)	(549)	(466)
Special Items	-	164	-	-	-
<b>Total Business-type Activities</b>	<b>(540)</b>	<b>(392)</b>	<b>(512)</b>	<b>(528)</b>	<b>(447)</b>
<b>Total Primary Government</b>	<b>\$ 18,179</b>	<b>\$ 17,588</b>	<b>\$ 16,188</b>	<b>\$ 13,896</b>	<b>\$ 13,111</b>
<b>Change in Net Assets</b>					
Governmental Activities	\$ 381	\$ 1,873	\$ 1,564	\$ 1,173	\$ 548
Business-type Activities	274	421	246	13	(644)
<b>Total Primary Government</b>	<b>\$ 655</b>	<b>\$ 2,294</b>	<b>\$ 1,810</b>	<b>\$ 1,186</b>	<b>\$ (96)</b>

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

**Fund Balance, Governmental Funds  
Modified Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

For the Fiscal Year Ended June 30,	General Fund			All Other Governmental Funds				
	Reserved	Unreserved	Total	Reserved	Unreserved, reported in:			Total
					Special Revenue Funds	Capital Projects Funds	Permanent Funds	
2007	\$ 1,420	\$ 564	\$ 1,984	\$ 377	\$ 3,060	\$ 81	\$ 53	\$ 3,571
2006	1,162	973	2,135	202	2,882	(16)	30	3,098
2005	708	521	1,229	235	2,278	(33)	28	2,508
2004	409	37	446	163	2,155	(34)	28	2,312
2003	285	(221)	64	144	2,205	113	25	2,487
2002	532	(749)	(217)	97	1,972	53	25	2,147
2001	959	(405)	554	594	1,455	35	-	2,084
2000	712	663	1,375	531	1,169	37	-	1,737
1999	591	583	1,174	491	835	44	-	1,370
1998	450	562	1,012	407	911	53	-	1,371

Source: Department of Accounts

**Comparison of General Fund Balance**

Last Ten Fiscal Years  
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance	
	Budgetary Basis	Modified Accrual Basis
2007	\$ 2,955.1	\$ 1,984.0
2006	2,890.0	2,135.5
2005	1,865.3	1,229.0
2004	1,109.6	446.2
2003	554.8	63.6
2002	632.9	(216.7)
2001	1,194.1	553.8
2000	1,855.3	1,374.6
1999	1,599.6	1,173.7
1998	1,444.2	1,011.4

Source: Department of Accounts

**Changes in Fund Balance, Governmental Funds (1)**  
**Modified Accrual Basis of Accounting**

Last Five Fiscal Years  
(Dollars in Millions)

	For the Fiscal Year Ended June 30,				
	2007	2006	2005	2004	2003
<b>Revenues</b>					
Taxes	\$ 17,436	\$ 17,043	\$ 15,636	\$ 13,533	\$ 12,351
Rights and Privileges	826	816	758	734	689
Institutional Revenue	360	343	325	338	334
Interest, Dividends, Rents, and Other Investment Income (Note 1)	532	256	204	84	191
Federal Grants and Contracts	6,203	5,958	5,627	5,832	5,524
Other	1,027	1,048	1,144	916	971
<b>Total revenues</b>	<b>26,384</b>	<b>25,464</b>	<b>23,694</b>	<b>21,437</b>	<b>20,060</b>
<b>Expenditures</b>					
General Government	2,030	1,787	1,687	1,757	1,549
Education	8,700	7,661	7,068	6,236	6,250
Transportation	3,141	3,092	3,115	2,917	3,044
Resources and Economic Development	812	788	708	668	641
Individual and Family Services	8,996	8,626	8,060	7,524	7,134
Administration of Justice	2,398	2,296	2,204	2,052	2,032
Capital Outlay	809	588	414	193	108
Debt Service:					
Principal Retirement	322	280	249	243	195
Interest and Charges	192	179	165	179	181
<b>Total Expenditures</b>	<b>27,400</b>	<b>25,297</b>	<b>23,670</b>	<b>21,769</b>	<b>21,134</b>
Revenues Over (Under) Expenditures	(1,016)	167	24	(332)	(1,074)
<b>Other Financing Sources (Uses)</b>					
Transfers In	1,637	1,590	1,555	1,507	1,643
Transfers Out	(1,072)	(1,014)	(1,018)	(954)	(1,161)
Notes Issued	16	128	-	-	7
Insurance Recoveries	7	4	-	-	-
Capital Leases	4	1	1	-	60
Bonds Issued	593	584	375	-	713
Premium on Debt Issuance	40	45	84	19	102
Refunding Bonds Issued	123	205	731	186	573
Sale of Capital Assets	8	7	-	-	-
Payments to Refunded Bond Escrow Agents	(131)	(214)	(789)	(211)	(610)
<b>Total Other Financing Sources (Uses)</b>	<b>1,225</b>	<b>1,336</b>	<b>939</b>	<b>547</b>	<b>1,327</b>
<b>Net Change in Fund Balances</b>	<b>\$ 209</b>	<b>\$ 1,503</b>	<b>\$ 963</b>	<b>\$ 215</b>	<b>\$ 253</b>
<b>Debt Service as a Percentage of</b>					
Noncapital Expenditures	1.93%	1.86%	1.78%	1.96%	1.79%

(1) Due to changes in the Commonwealth's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is only available beginning in 2002.

Source: Department of Accounts

# Revenue Capacity

## Personal Income Tax Rates

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Last Ten Fiscal Years  
(Dollars in Millions)

<u>For the Fiscal Year Ended June 30,</u>	<u>Personal Income Tax Collections (1)</u>	<u>Personal Income (2)(4)</u>	<u>Average Effective Rate (3)</u>
2007	\$ 9,788	\$ 318,868	3.07%
2006	9,309	301,092	3.09%
2005	8,352	285,363	2.93%
2004	7,430	264,987	2.80%
2003	6,776	248,601	2.73%
2002	6,711	240,835	2.79%
2001	7,226	235,263	3.07%
2000	6,830	219,212	3.12%
1999	6,088	201,460	3.02%
1998	5,406	190,243	2.84%

(1) Tax revenues from individual and fiduciary income tax.

(2) Personal income amounts provided by U.S. Bureau of Economic Analysis website.

(3) Average effective rate equals tax collections divided by income.

(4) Amounts for 2003-2006 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Source: Virginia Department of Taxation

## Effective Tax Rates (1)

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Tax Years 1998 – 2007

<u>Income Tax Bracket</u>	<u>Tax Rate</u>
\$0 - \$3,000	2.00%
\$3,000 - \$5,000	2.00% - 2.40%
\$5,000 - \$17,000	2.40% - 4.24%
\$17,000 - \$30,000	4.24% - 4.89%
\$30,000 - \$50,000	4.89% - 5.23%
\$50,000 - \$100,000	5.23% - 5.49%
Over \$100,000	5.49% up to 5.75%

(1) Amounts shown are for all filing status returns.

Source: Virginia Department of Taxation



## Personal Income Tax Filers and Liability by Income Level (1)

Current Year and Ten Years Ago

Income Level	Tax Year Ended December 31, 2005				Tax Year Ended December 31, 1996			
	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
\$100,000 and higher	452,681	13.38%	\$ 5,056,238,568	60.33%	171,600	6.10%	\$ 1,636,375,543	38.48%
\$75,000 - \$99,999	273,007	8.07%	972,953,407	11.61%	155,774	5.53%	561,014,954	13.19%
\$50,000 - \$74,999	440,450	13.01%	1,052,259,041	12.55%	344,762	12.24%	829,808,231	19.52%
\$25,000 - \$49,999	781,332	23.08%	983,317,690	11.73%	686,003	24.36%	880,676,144	20.71%
\$10,000 - \$24,999	705,165	20.83%	299,730,437	3.58%	731,094	25.96%	321,870,663	7.57%
\$9,999 and lower	732,037	21.63%	17,001,257	0.20%	726,804	25.81%	22,617,263	0.53%
Total	<u>3,384,672</u>	<u>100.00%</u>	<u>\$ 8,381,500,400</u>	<u>100.00%</u>	<u>2,816,037</u>	<u>100.00%</u>	<u>\$ 4,252,362,798</u>	<u>100.00%</u>

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue. Tax year 2005 is the most recent year for which data are available.

Source: Virginia Department of Taxation

## Personal Income by Industry (1)

Last Ten Fiscal Years  
(Dollars in Millions)

	<u>2007</u>	<u>2006 (4)</u>	<u>2005 (4)</u>	<u>2004 (4)</u>	<u>2003 (4)</u>
Farm Earnings	\$ 476	\$ 360	\$ 631	\$ 547	\$ 463
Agricultural/Forestry, Fishing, and Other	319	309	294	288	288
Mining	1,303	1,200	1,033	957	785
Construction	16,192	16,630	15,322	13,960	12,102
Manufacturing	18,771	17,926	17,857	16,992	16,757
Transportation, Warehousing, Information and Public Utilities	17,876	17,547	17,426	16,770	15,702
Wholesale Trade	9,529	8,928	8,379	8,003	7,373
Retail Trade	13,670	13,338	12,917	12,301	11,684
Finance, Insurance, Real Estate, Rental and Leasing	19,340	19,174	18,715	16,538	15,617
Services	94,592	86,075	79,924	73,124	66,638
Federal, Civilian	18,740	18,083	17,004	16,667	14,421
Military	15,327	14,557	13,523	12,915	11,977
State and Local government	27,270	25,926	23,980	22,237	20,713
Other (2)	65,463	61,039	58,358	53,688	54,081
Total Personal Income	<u>\$ 318,868</u>	<u>\$ 301,092</u>	<u>\$ 285,363</u>	<u>\$ 264,987</u>	<u>\$ 248,601</u>
Average Effective Rate (3)	3.09%	3.09%	2.93%	2.80%	2.73%

(1) Personal income figures for 2007 are estimated.

(2) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

(3) The total direct rate for personal income is not available. Average effective rate equals tax collections divided by income.

(4) Amounts for 2003-2006 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Source: U.S. Bureau of Economic Analysis

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$ 358	\$ 457	\$ 532	\$ 361	\$ 423
280	1,047	973	831	757
722	1,030	1,088	875	874
11,805	11,441	10,561	9,334	8,267
17,026	19,309	18,603	17,827	17,502
16,247	12,488	12,241	10,683	9,779
7,127	9,216	9,184	8,249	7,449
11,447	14,334	13,638	12,860	11,880
14,764	14,655	12,196	11,426	10,146
63,862	59,625	52,245	45,719	42,291
13,913	12,774	12,348	11,586	11,365
10,670	9,475	9,023	8,484	8,230
19,998	19,077	18,226	16,618	15,775
52,616	50,335	48,354	46,607	45,505
<u>\$ 240,835</u>	<u>\$ 235,263</u>	<u>\$ 219,212</u>	<u>\$ 201,460</u>	<u>\$ 190,243</u>
2.79%	3.07%	3.12%	3.02%	2.84%

**Taxable Sales by Business Class (1) (3)**Last Ten Calendar Years  
(Dollars in Millions)

	<u>2006</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Apparel	\$ 4,917	\$ 4,087	\$ 3,719	\$ 3,579	\$ 3,434
Automotive	2,413	5,146	4,810	4,487	3,470
Food	19,943	21,931	20,887	19,937	19,378
Furniture, Home Furnishings, and Equipment	3,684	6,015	5,666	5,208	5,006
General Merchandise	17,104	13,312	12,686	12,117	12,472
Lumber, Building Materials and Supply	8,929	9,006	7,431	6,979	6,778
Fuel	1,778	488	487	392	458
Machinery, Equipment and Supplies	213	3,581	3,151	3,001	3,112
Miscellaneous	18,355	14,914	13,297	12,466	12,051
Hotels, Motels, Tourist Camps, etc.	3,003	2,354	2,307	2,213	2,157
Alcoholic Beverage	456	409	483	186	342
Other Miscellaneous and Unidentifiable	8,683	48	49	80	67
<b>Total</b>	<b>\$ 89,478</b>	<b>\$ 81,291</b>	<b>\$ 74,973</b>	<b>\$ 70,645</b>	<b>\$ 68,725</b>
Direct Sales Tax Rate (2)	5.0%	4.5%	4.5%	4.5%	4.5%

- (1) Retail sales information is available only on a calendar-year basis.
- (2) Effective September 1, 2004, the sales tax rate increased from 4.5 percent to 5.0 percent.
- (3) Data from tax year 2005 is not available. Beginning with the third quarter of tax year 2005, business classification categories provided by the Department of Taxation changed to reflect NAICS codes. Consequently, the first half of tax year 2005 information is not available in a comparable form to the second half of tax year 2005. Files from before the third quarter of tax year 2005 will never be directly comparable with files from the third quarter of tax year 2005 and thereafter.

Source: Department of Taxation

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<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 3,503	\$ 3,294	\$ 3,040	\$ 2,902	\$ 4,533
3,297	3,240	3,044	2,966	2,944
19,014	18,515	17,379	17,055	16,589
5,255	5,188	4,470	4,058	3,818
12,693	10,892	10,546	9,819	7,366
6,441	6,276	5,916	5,840	5,445
533	448	416	442	472
3,427	3,014	2,800	2,574	2,573
11,732	10,611	9,998	9,067	7,942
2,392	2,258	2,164	2,015	1,853
298	278	279	251	247
75	54	62	59	141
<u>\$ 68,660</u>	<u>\$ 64,068</u>	<u>\$ 60,114</u>	<u>\$ 57,048</u>	<u>\$ 53,923</u>
4.5%	4.5%	4.5%	4.5%	4.5%

## Sales Tax Revenue by Business Class (1)

Tax Year 2006 and Nine Years Ago

	Tax Year Ended December 31, 2006				Tax Year Ended December 31, 1997			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Apparel	4,712	3.89%	\$ 4,917,431,135	5.49%	6,214	4.35%	\$ 2,902,324,715	5.09%
Automotive	3,751	3.10%	2,413,146,302	2.70%	12,539	8.78%	2,965,910,054	5.20%
Food	19,278	15.92%	19,942,480,545	22.29%	26,291	18.41%	17,055,467,212	29.90%
Furniture, Home Furnishings, and Equipment	5,285	4.36%	3,683,945,994	4.12%	10,371	7.26%	4,058,440,499	7.11%
General Merchandise	16,817	13.89%	17,104,195,349	19.11%	9,983	6.99%	9,818,718,387	17.21%
Lumber, Building Materials, and Supply	5,547	4.58%	8,928,450,471	9.98%	5,495	3.85%	5,839,571,484	10.25%
Fuel	4,116	3.40%	1,778,139,865	1.99%	1,062	0.75%	441,462,645	0.77%
Machinery, Equipment, and Supply	217	0.18%	213,283,319	0.24%	9,042	6.33%	2,574,188,360	4.51%
Miscellaneous	47,356	39.11%	18,355,404,117	20.51%	59,173	41.45%	9,066,419,870	15.89%
Hotels, Motels, Tourist Camps, etc.	2,200	1.82%	3,002,587,922	3.36%	2,028	1.43%	2,015,075,065	3.53%
Alcoholic Beverage	317	0.26%	456,404,615	0.51%	246	0.17%	251,287,102	0.44%
Other Miscellaneous and Unidentifiable	11,493	9.49%	8,683,155,649	9.70%	331	0.23%	58,935,622	0.10%
<b>Total</b>	<b>121,089</b>	<b>100.00%</b>	<b>\$ 89,478,625,283</b>	<b>100.00%</b>	<b>142,775</b>	<b>100.00%</b>	<b>\$ 57,047,801,015</b>	<b>100.00%</b>

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

Source: The Virginia Department of Taxation

## Debt Capacity

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities		Total Primary Government	Debt as a Percentage of Personal Income (1)	Amount Per Capita (2)
	General Obligation Bonds	Non- General Obligation Bonds	Other Long-term Obligations	Non-General Obligation Bonds	Other Long-term Obligations			
2007	\$ 900,329	3,363,275	1,487,825	-	2,071,852	7,823,281	2.45%	1,017
2006	716,498	3,231,917	1,399,553	-	1,992,856	7,340,824	2.44%	963
2005	657,032	2,930,344	1,185,757	463,357	1,835,982	7,072,472	2.48%	941
2004	536,386	2,797,410	1,278,534	447,372	1,587,835	6,647,537	2.51%	894
2003	589,618	2,974,706	1,148,633	432,563	1,633,519	6,779,039	2.73%	932
2002	579,297	2,377,041	965,426	418,850	1,263,967	5,604,581	2.33%	795
2001	622,954	2,286,636	856,026	405,460	23,039	4,194,115	1.78%	600
2000	665,859	1,993,609	776,812	393,238	10,984	3,840,502	1.75%	554
1999	707,966	1,702,846	727,269	381,706	9,712	3,529,499	1.75%	515
1998	729,367	1,699,356	399,271	-	1,813	2,829,807	1.49%	417

- (1) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis. Amounts for fiscal years 2003-2006 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.
- (2) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2007 population was estimated.

Source: Department of Accounts



**Ratios of General Obligation Bonded Debt Outstanding**

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	General Bonded Debt Outstanding [1]					Percentage of Tax Revenues [5]	Per Capita [6]
	Governmental			Higher Education			
	9(a) [2]	9(b) [3]	9(c) [4]	9(c)	Total		
2007	\$ -	\$ 821,563	\$ 78,766	\$ 411,842	\$ 1,312,171	13.41%	\$ 171
2006	-	626,124	90,374	325,969	1,042,467	11.20%	137
2005	-	555,447	101,585	296,963	953,995	11.42%	127
2004	-	428,891	107,495	316,923	853,309	11.48%	115
2003	-	471,118	118,500	349,185	938,803	13.86%	129
2002	-	451,700	127,597	376,462	955,759	14.24%	136
2001	-	486,310	136,644	345,154	968,108	13.40%	138
2000	-	520,705	145,154	380,332	1,046,191	15.32%	151
1999	-	534,765	153,201	387,963	1,075,929	17.67%	157
1998	67,215	441,265	160,887	406,560	1,075,927	19.90%	159

[1] Amounts are net of unamortized premiums, discounts, deferrals on debt defeasance, and/or issuance expenses.

[2] Section 9(a) bonds have been issued to redeem previous debt obligations.

[3] Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations.

[4] Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

[5] Individual and fiduciary Income tax collections were used for this calculation.

[6] Population statistics used in this calculation are provided by the Department of Taxation.

Source: Department of Accounts

## Computation of Legal Debt Limit and Margin

Last Ten Fiscal Years  
(Dollars in Thousands)

Tax Revenues Required for Computation	2007	2006	2005	2004
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	\$ 9,787,592	\$ 9,308,570	\$ 8,352,366	\$ 7,430,365
Corporate Income Tax [2]	879,575	871,554	616,690	434,493
State Sales and Use Tax [3]	3,274,286	3,029,949	3,093,725	2,582,797
Total	<u>\$ 13,941,453</u>	<u>\$ 13,210,073</u>	<u>\$ 12,062,781</u>	<u>\$ 10,447,655</u>
<b>Average Tax Revenues (Three Fiscal Years)</b>	<u>\$ 13,071,436</u>	<u>\$ 11,906,836</u>	<u>\$ 10,655,153</u>	<u>\$ 9,777,865</u>
<b>Section 9(a) [2] General Obligation Debt Limit [4]</b>				
Debt Issuance Limit (30% of 1.15 times annual tax revenues)	\$ 4,809,801	\$ 4,557,475	\$ 4,161,659	\$ 3,604,441
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2] General Obligation Bonds	<u>\$ 4,809,801</u>	<u>\$ 4,557,475</u>	<u>\$ 4,161,659</u>	<u>\$ 3,604,441</u>
Debt Applicable to Limit as a % Limit	0.00%	0.00%	0.00%	0.00%
<b>Section 9(b) General Obligation Debt Limit</b>				
Debt Issuance Limit (1.15 times average tax revenues for three fiscal years)	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426	\$ 11,244,545
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	797,300	596,464	520,655	389,219
Transportation Facilities Refunding Bonds [5] [6]	24,263	29,660	34,792	39,672
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(b) General Obligation Bonds	<u>\$ 14,210,588</u>	<u>\$ 13,066,738</u>	<u>\$ 11,697,979</u>	<u>\$ 10,815,654</u>
Debt Applicable to Limit as a % Limit	5.47%	4.57%	4.53%	3.81%
Additional Section 9(b) Debt Borrowing Restriction:				
Four-year Authorization Restriction (25% of 9(b) Debt Limit)	\$ 3,758,038	\$ 3,423,215	\$ 3,063,356	\$ 2,811,136
Less 9(b) Debt authorized in past three fiscal years	-	-	1,019,529	1,019,529
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)	<u>\$ 3,758,038</u>	<u>\$ 3,423,215</u>	<u>\$ 2,043,827</u>	<u>\$ 1,791,607</u>
<b>Section 9(c) General Obligation Debt Limit</b>				
Debt Issuance Limit (1.15 times average tax revenues for three fiscal years)	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426	\$ 11,244,545
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	8,804	9,939	11,040	6,367
Transportation Facilities Bonds [6]	69,962	80,435	90,545	101,128
Higher Educational Institution Bonds [6]	411,842	325,969	296,963	316,923
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(c) General Obligation Bonds	<u>\$ 14,541,543</u>	<u>\$ 13,276,519</u>	<u>\$ 11,854,878</u>	<u>\$ 10,820,127</u>
Debt Applicable to Limit as a % Limit	3.26%	3.04%	3.25%	3.77%

\*\*Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

- [1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*. Fiscal year 2004 restated to reflect actual data as reported in the Schedules of Revenues, Expenditures and Changes in fund Balance - Budget and Actual - General and Major Special funds of each respective year's CAFR.
- [2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia*.
- [3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia*, less taxes identified in Sections 58.1-605 and 58.1-638.
- [4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the *Constitution of Virginia*.
- [5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
- [6] Net of unamortized premium, discount and deferral on debt defeasance.

Sources: Department of Accounts  
Department of Treasury

Fiscal year ended June 30,

2003	2002	2001	2000	1999	1998
\$ 6,775,746	\$ 6,710,857	\$ 7,226,407	\$ 6,829,587	\$ 6,087,888	\$ 5,405,850
343,319	290,215	363,757	565,909	420,421	450,780
2,335,958	2,429,845	2,272,954	2,201,533	2,065,265	1,919,216
<u>\$ 9,455,023</u>	<u>\$ 9,430,917</u>	<u>\$ 9,863,118</u>	<u>\$ 9,597,029</u>	<u>\$ 8,573,574</u>	<u>\$ 7,775,846</u>
<u>\$ 9,583,019</u>	<u>\$ 9,630,355</u>	<u>\$ 9,344,574</u>	<u>\$ 8,648,816</u>	<u>\$ 7,778,856</u>	<u>\$ 7,062,881</u>
\$ 3,261,983	\$ 3,253,666	\$ 3,402,776	\$ 3,310,975	\$ 2,957,883	\$ 2,682,667
-	-	-	-	-	-
<u>\$ 3,261,983</u>	<u>\$ 3,253,666</u>	<u>\$ 3,402,776</u>	<u>\$ 3,310,975</u>	<u>\$ 2,957,883</u>	<u>\$ 2,682,667</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 11,020,472	\$ 11,074,908	\$ 10,746,260	\$ 9,946,139	\$ 8,945,684	\$ 8,122,313
422,399	399,005	429,725	460,405	470,930	441,265
48,719	52,695	56,585	60,300	63,835	67,215
-	-	-	-	20,000	60,000
<u>\$ 10,549,354</u>	<u>\$ 10,623,208</u>	<u>\$ 10,259,950</u>	<u>\$ 9,425,434</u>	<u>\$ 8,390,919</u>	<u>\$ 7,553,833</u>
4.27%	4.08%	4.53%	5.24%	6.20%	7.00%
\$ 2,755,118	\$ 2,768,727	\$ 2,686,565	\$ 2,486,535	\$ 2,236,421	\$ 2,030,578
1,019,529	1,019,529	-	-	-	-
<u>\$ 1,735,589</u>	<u>\$ 1,749,198</u>	<u>\$ 2,686,565</u>	<u>\$ 2,486,535</u>	<u>\$ 2,236,421</u>	<u>\$ 2,030,578</u>
\$ 11,020,472	\$ 11,074,908	\$ 10,746,260	\$ 9,946,139	\$ 8,945,684	\$ 8,122,313
7,199	9,605	10,325	11,010	11,660	12,280
111,301	117,992	126,319	134,144	141,541	148,607
349,185	376,462	345,154	380,332	387,963	406,560
-	-	-	-	13,000	4,000
<u>\$ 10,552,787</u>	<u>\$ 10,570,849</u>	<u>\$ 10,264,462</u>	<u>\$ 9,420,653</u>	<u>\$ 8,391,520</u>	<u>\$ 7,550,866</u>
4.24%	4.55%	4.48%	5.28%	6.19%	7.04%

**Schedule of Pledged Revenue Bond Coverage  
Primary Government 9(d) General Long-term Debt**

Last Nine Fiscal Years

(Dollars in Thousands except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance	Pledged Revenues (1)	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (3) (4)		Coverage
						Principal	Interest	
<b>Primary Government Revenue Bonds:</b>								
<b>Pocahontas Parkway Association (4)</b>	2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
(Series 1998A-D and 2001A)	2006	(140,294)	11,680	30,214	(158,828)	-	-	-
	2005	(115,062)	10,344	29,675	(134,393)	-	9,121	(14.73)
	2004	(75,338)	7,674	27,505	(95,169)	-	9,121	(10.43)
	2003	(62,755)	5,111	27,104	(84,748)	-	9,121	(9.29)
	2002	(28,271)	80	25,023	(53,214)	-	9,129	(5.83)
	2001	(13,052)	-	24,618	(37,670)	-	9,152	(4.12)
	2000	(3,259)	-	17,385	(20,644)	-	9,287	(2.22)
	1999	-	-	15,544	(15,544)	-	5,728	(2.71)

(1) Pocahontas Parkway bonds are payable solely from toll revenues.

(2) Operating expenses are exclusive of principal and interest.

(3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.

(4) Ten years of data not available. This entity was established in 1999. The toll rights owned by the Pocahontas Parkway Association were sold on June 29, 2006 and the Association was relieved of any outstanding debt and has no bonds outstanding at June 30, 2007 to report.

## Demographic and Economic Information

## Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population In Thousands (1)</u>	<u>Personal Income In Thousands (2)(4)</u>	<u>Per Capita Income (3)</u>	<u>Public Primary and Secondary School Enrollment</u>	<u>Unemployment Rate</u>
2007	7,694	\$ 318,868,000	\$ 41,444	1,221,939	3.1 %
2006	7,623	301,092,000	39,498	1,214,737	3.2 %
2005	7,512	285,363,000	37,988	1,185,612	3.5 %
2004	7,432	264,987,000	35,655	1,165,905	3.7 %
2003	7,275	248,601,000	34,172	1,156,471	4.0 %
2002	7,051	240,835,000	34,156	1,143,018	4.1 %
2001	6,995	235,263,000	33,633	1,130,446	2.4 %
2000	6,929	219,212,000	31,639	1,121,780	2.7 %
1999	6,858	201,460,000	29,376	1,110,843	2.8 %
1998	6,784	190,243,000	28,043	1,110,815	3.4 %

(1) Population figure for fiscal year 2007 is estimated.

(2) Personal income amounts were revised in fiscal year 2006.

(3) Personal income amount for fiscal year 2007 is estimated.

(4) Amounts for fiscal years 2003-2006 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources: Virginia Department of Education  
Virginia Department of Taxation  
Virginia Employment Commission  
U.S. Bureau of Economic Analysis

## Principal Employers

Current Year and Nine Years Ago

<u>Employer</u>	<u>2006 Rank</u>	<u>1997 Rank</u>
U.S. Department of Defense	1	1
Wal-Mart	2	3
Fairfax County Public Schools	3	2
Newport News Shipbuilding	4	5
Food Lion	5	6
County of Fairfax	6	8
United States Postal Service	7	4
Sentara Healthcare	8	9
University of Virginia / Blue Ridge Hospital	9	7
Inova Fairfax Hospital (1)	10	-

(1) Previous ranking not available.

(2) The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.

Source: Virginia Employment Commission (2)





# Operating Information

## Capital Asset Statistics by Function

Last Two Fiscal Years

	Fiscal Year	
	2007	2006
<b>General Government</b>		
<b>Department of General Services</b>		
Number of Buildings	47	45
Total Square Footage of Buildings	4,358,746	4,236,832
Vehicles	12,779	11,841
<b>Education</b>		
<b>State Council of Higher Education</b>		
Campuses of In-state Institutions	207	116
Campuses of Out-of-state Institutions	63	110
<b>Transportation</b>		
<b>Department of Transportation</b>		
Bridges Maintained	12,603	12,603
State Maintained Highway Lane Miles	70,066	70,066
Vehicles	9,443	9,952
Number of Buildings (1)	3,595	3,582
Total Square Footage of Buildings	7,750,199	7,624,896
<b>Resources and Economic Development</b>		
<b>Department Conservation &amp; Recreation</b>		
State parks	37	34
Acres of State Parks (in thousands)	67	66
Natural Area Preserves	35	34
Acres of Natural Area Preserves (in thousands)	25	25
Historic Sites	3	3
Acres of Historic Sites (in thousands)	0.3	0.3
Number of Buildings (2)	991	989
Total Square Footage of Buildings	1,223,427	1,284,589
<b>Department of Forestry</b>		
State Forests	17	17
Buildings	295	283
Total Square Footage of Buildings	600,602	587,838
<b>Individual and Family Services</b>		
<b>Department of Mental Health, Mental Retardation</b>		
Number of Buildings	449	446
Total Square Footage of Buildings	6,161,843	6,263,527
<b>Administration of Justice</b>		
<b>Department of State Police</b>		
Number of Stations	66	66
Number of Buildings	143	143
Total Square Footage of Buildings	526,617	526,617
<b>Department of Corrections</b>		
Number of Buildings	1,809	1,812
Total Square Footage of Buildings	11,787,810	11,102,021
<b>Business-type Activities</b>		
<b>Department of Alcoholic Beverage Control</b>		
Number of Buildings	21	22
Total Square Footage of Buildings	784,548	789,548

(1) Includes storage sheds.

(2) Includes cabins.

Sources: Department of Conservation and Recreation  
 Department of Forestry  
 Department of General Services  
 Department of State Police  
 Department of Transportation  
 Department of Treasury  
 State Council of Higher Education



**State Employees by Function (1)**

Last Ten Fiscal Years

For the Fiscal Year Ended June 30,	2007	2006	2005	2004	2003
<b>General Government</b>					
Virginia Information Technologies Agency	400	453	1,068	593	347
Department of Taxation	927	1,031	1,026	1,047	972
Department of General Services	634	621	603	625	583
All other	1,915	1,778	1,775	1,730	1,944
<b>Education</b>					
Colleges and Universities	48,004	47,371	44,725	42,817	41,729
All other	3,811	3,813	3,555	3,528	3,735
<b>Transportation</b>					
Department of Transportation	8,824	9,338	9,401	9,541	10,204
Department of Motor Vehicles	2,044	2,102	2,056	2,059	1,861
All other	231	110	129	145	185
<b>Resources and Economic Development</b>					
Department of Conservation & Recreation	753	709	937	927	847
Department of Environmental Quality	882	870	862	837	827
All other	3,412	3,263	3,161	3,244	3,096
<b>Individual and Family Services</b>					
Department of Health	3,943	3,817	3,646	3,674	3,657
Mental Health Agencies	8,361	7,679	6,609	6,708	6,810
All other	5,540	6,424	7,868	7,850	7,395
<b>Administration of Justice</b>					
Department of State Police	2,700	2,604	2,607	2,626	2,499
Department of Juvenile Justice	2,295	2,312	2,222	2,200	2,197
Correctional Facilities	10,456	10,368	10,398	10,286	10,244
All other	6,454	5,382	5,036	5,098	4,880
<b>Business-Type Activities</b>					
Department of Alcoholic Beverage Control	1,938	1,851	1,726	1,656	1,565
State Lottery	265	261	271	304	317
All Other	48	257	257	240	237
State Total (2)	<u>113,837</u>	<u>112,414</u>	<u>109,938</u>	<u>107,735</u>	<u>106,131</u>

(1) Includes salaried and wage employees but excludes adjunct faculty.

(2) Totals have been rounded and may vary slightly from the Department of Human Resource Management and Department of Personnel and Training reports.

Sources: Department of Human Resource Management  
Department of Personnel and Training

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2002	2001	2000	1999	1998
342	338	329	325	323
930	963	927	889	890
612	583	593	606	598
1,786	1,826	1,778	1,690	1,825
41,717	41,178	44,150	43,657	43,312
3,905	3,960	3,889	3,640	3,552
10,462	10,646	10,422	10,090	10,019
2,214	2,193	2,130	1,991	1,954
178	668	207	211	215
963	956	651	703	721
846	833	818	803	800
3,245	3,319	3,291	3,265	3,173
3,646	3,629	3,784	3,875	3,937
6,930	6,835	6,901	6,995	7,134
7,317	7,408	7,305	7,287	7,103
2,504	2,518	2,536	2,506	2,412
2,353	2,420	2,460	2,486	2,269
10,906	11,328	11,258	11,281	10,295
5,062	5,151	5,470	5,183	4,625
1,636	1,530	1,369	1,330	1,413
319	313	314	314	311
261	231	223	202	190
<u>108,134</u>	<u>108,826</u>	<u>110,805</u>	<u>109,329</u>	<u>107,071</u>

## Operating Indicators by Function

Last Two Fiscal Years

	Fiscal Year	
	2007	2006
<b>General Government</b>		
<b>Virginia Department of Taxation</b>		
Number of Returns Processed (Calendar Year) (1)	Not yet available	7,860,850
<b>Department of Accounts</b>		
Number of Payments Processed Via Check	1,431,918	1,522,865
Number of Payments Processed Electronically	2,861,979	2,684,123
Percentage Processed Electronically	66.70%	63.80%
<b>Education</b>		
<b>State Council of Higher Education</b>		
Number of Students Enrolled at State-supported Colleges and Universities	428,642	412,336
<b>Department of Education</b>		
Number of Public Primary and Secondary School Enrollment	1,221,939	1,214,737
<b>Transportation</b>		
<b>Dept of Transportation</b>		
Number of Vehicles Paying Tolls for the Pocahontas Parkway (2)	N/A	5,746,292
<b>Resources and Economic Development</b>		
<b>Department of Environmental Quality</b>		
Number of Permits Issued	3,491	2,011
Number of Inspections Conducted	11,730	10,471
<b>Department of Housing and Community Development</b>		
Number of Housing Units Improved to Define Standards through Housing Programs	3,392	3,459
<b>Department of Agriculture &amp; Consumer Services</b>		
Number of Food Inspections Conducted	14,623	16,350
Number of Weights/Measure Equipment Inspected	77,921	101,471
<b>Department of Forestry</b>		
Number of Firefighters Trained in Forest Control	1,300	1,000
<b>Individual and Family Services</b>		
<b>Comprehensive Services for At-Risk Youth and Families</b>		
Number of Youth Served	18,498	16,722
<b>Department of Medical Assistance Services</b>		
Number of Medicare Recipients	1,039,059	1,010,487
Number of Medicaid Recipients	805,458	812,796
<b>Department of Mental Health, Mental Retardation, &amp; Substance Abuse Services (3)</b>		
Number of Patients Served	3,003	3,033
Number of Beds Used	2,988	3,499
<b>Department of Social Services</b>		
Average Number of Households Receiving Food Stamps	228,116	223,116
Number of Households Receiving Child Support Enforcement Assistance	363,272	361,909
<b>Department of Health</b>		
Number of WIC Participants	270,918	247,386
Number of Childhood Immunizations Administered	1,076,412	1,093,450

*Continued on next page*

- (1) Information is not yet available for fiscal year 2007.
- (2) The assets of the Pocahontas Parkway Association, including the rights and obligations to manage, operate, maintain and collect tolls, were sold in June 2006. Therefore, this information is not available for fiscal year 2007.
- (3) This agency is structured to provide services primarily in a community setting. Although they have a significant amount of capital and operating costs in facility operations, inpatient treatment methodology is being deemphasized over time. Their inpatient census will continue to decline in the future. Over \$250 million of community funding (State and Federal dollars) each fiscal year supports 40 community services boards across the Commonwealth. These entities serve approximately 300,000 Virginians each year.
- (4) Win for Life replaced Lotto South during fiscal year 2006.
- (5) Fast Play Bingo and Millionaire Raffle are two new games begun during fiscal year 2007.

	Fiscal Year	
	2007	2006
<b>Administration of Justice</b>		
<b>Supreme Court</b>		
Number of Criminal Trials (calendar year)	733,714	710,380
Number of Civil Trials (calendar year)	1,335,192	1,327,296
Number of Traffic Hearings (calendar year)	1,973,047	1,971,413
<b>Compensation Board</b>		
Number of Constitutional Officers Receiving Financial Support	650	650
<b>Dept of State Police</b>		
Number of Traffic Citations Issued (calendar year)	646,166	600,121
Number of Arrests (calendar year)	23,348	22,622
<b>Department of Corrections</b>		
Number of Inmates	31,647	31,072
<b>Business-type Activities</b>		
<b>State Lottery Department</b>		
Number of Plays Sold - Pick 3	265,398,821	257,008,607
Number of Plays Sold - Pick 4	179,922,714	169,761,961
Number of Plays Sold - Cash 5	27,520,707	27,723,536
Number of Plays Sold - Megamillions	130,299,581	159,665,341
Number of Plays Sold - Win for Life (4)	41,323,625	17,529,322
Number of Plays Sold - Lotto South (4)	-	44,322,641
Number of Plays Sold - Millionaire Raffle (5)	13,005,307	-
Number of Plays Sold - Fast Play Bingo (5)	6,600,000	-
Number of Tickets Sold - Instant Tickets	698,271,837	689,315,033
<b>Virginia College Savings Plan</b>		
Number of Prepaid Tuition Contractholders	71,382	70,006
<b>Virginia Employment Commission</b>		
Number of Individuals Receiving Unemployment Benefits	106,554	110,881
New Unemployment Benefit Claims	260,804	260,381

Sources: Compensation Board  
 Comprehensive Services for At-Risk Youth and Families  
 Department of Agriculture and Consumer Services  
 Department of Education  
 Department of Environmental Quality  
 Department of Forestry  
 Department of Health  
 Department of Housing and Community Development  
 Department of Medical Assistance Services  
 Department of Mental Health, Mental Retardation, and Substance Abuse Services  
 Department of Social Services  
 Department of State Police  
 Department of Transportation  
 State Council of Higher Education  
 State Lottery Department  
 Supreme Court  
 Virginia College Savings Plan  
 Virginia Employment Commission

## Employees of the Department of Accounts

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