

**A Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2009



Timothy M. Kaine  
Governor

Richard D. Brown  
Secretary of Finance

David A. Von Moll  
Comptroller

# Table of Contents

## Introductory Section

Comptroller's Letter of Transmittal to the Governor .....	6
Certificate of Achievement for Excellence in Financial Reporting .....	18
Organization of Executive Branch of Government .....	20
Organization of Government – Selected Government Officials – Executive Branch .....	21
Organization of the Department of Accounts.....	22

## Financial Section

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

### Basic Financial Statements

#### Government-wide Financial Statements

Statement of Net Assets .....	38
Statement of Activities .....	40

#### Fund Financial Statements

Balance Sheet – Governmental Funds .....	44
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Assets .....	46
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	48
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities .....	50
Statement of Net Assets – Proprietary Funds .....	52
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	54
Statement of Cash Flows – Proprietary Funds.....	56
Statement of Fiduciary Net Assets – Fiduciary Funds .....	62
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	63
Statement of Net Assets – Component Units.....	66
Statement of Activities – Component Units .....	68

<b>Index to the Notes to the Financial Statements</b> .....	71
Notes to the Financial Statements .....	72

### Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds .....	164
Funding Progress for Defined Benefit Pension Plans .....	168
Schedule of Employer Contributions – Defined Pension Plans.....	170
Funding Progress for Other Post-Employment Benefit Plans .....	171
Schedule of Employer Contributions – Other Post-Employment Benefit Plans.....	173
Claims Development Information .....	174

### Combining and Individual Fund Statements and Schedules

#### Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds.....	182
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	186
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds .....	190

#### Nonmajor Enterprise Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	194
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds .....	198
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	202

#### Internal Service Funds

Combining Statement of Net Assets – Internal Service Funds.....	210
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds .....	212
Combining Statement of Cash Flows – Internal Service Funds .....	214

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**Fiduciary Funds**

Combining Statement of Fiduciary Net Assets – Private Purpose Funds .....	220
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds .....	222
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds .....	224
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds .....	228
Combining Statement of Fiduciary Net Assets – Investment Trust Fund .....	232
Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Fund .....	233
Combining Statement of Fiduciary Net Assets – Agency Funds .....	234
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	239

**Nonmajor Component Units**

Combining Statement of Net Assets – Nonmajor Component Units .....	246
Combining Statement of Activities – Nonmajor Component Units .....	254

**Debt Schedules**

Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth .....	258
Tax-Supported Debt and Other Long-term Obligations .....	259
Debt and Other Long-term Obligations Not Supported by Taxes .....	260
Authorized and Unissued Tax-Supported Debt .....	261
Tax-Supported Debt – Annual Debt Service Requirements .....	262
Tax-Supported Debt – Detail of Long-term Indebtedness .....	264

**Statistical Section**

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function .....	278
Net Assets by Component – Accrual Basis of Accounting .....	280
Changes in Net Assets – Accrual Basis of Accounting .....	282
Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting .....	286
Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting .....	288
Comparison of General Fund Balance .....	288
Personal Income Tax Rates .....	290
Effective Tax Rates .....	290
Personal Income Tax Filers and Liability by Income Level .....	291
Personal Income by Industry .....	292
Taxable Sales by Business Class .....	294
Sales Tax Revenues by Business Class .....	296
Ratios of Outstanding Debt by Type .....	298
Ratio of General Obligation Bonded Debt Outstanding .....	299
Computation of Legal Debt Limit and Margin .....	300
Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt .....	302
Schedule of Demographic and Economic Statistics .....	304
Principal Employers .....	305
State Employees by Function .....	308
Operating Indicators by Function .....	310
Capital Asset Statistics by Function .....	312
Employees of the Department of Accounts .....	313

# Illustrations

<b>Figure 1</b>	Percentage Change of Nonfarm Payroll Employment, Fiscal Year 2005 – Fiscal Year 2009.....	8
<b>Figure 2</b>	Nonfarm Payroll Employment, Fiscal Year 2005 – Fiscal Year 2009.....	9
<b>Figure 3</b>	Nonfarm Payroll Employment of Virginia MSAs, Fiscal Year 2005 – Fiscal Year 2009 .....	10
<b>Figure 4</b>	Percentage Change in Personal Income, Fiscal Year 2005 – Fiscal Year 2009.....	11
<b>Figure 5</b>	Civilian Unemployment Rate, Fiscal Year 2005 – Fiscal Year 2009.....	12
<b>Figure 6</b>	Civilian Unemployment Rates of Virginia MSAs, Fiscal Year 2005 – Fiscal Year 2009.....	12
<b>Figure 7</b>	Virginia Taxable Sales, Fiscal Year 2007 – Fiscal Year 2009.....	13
<b>Figure 8</b>	Virginia New Privately Owned Housing Units Authorized, Fiscal Year 2005 – Fiscal Year 2009.....	14
<b>Figure 9</b>	Percentage Change in House Prices, Fiscal Year 2005 – Fiscal Year 2009 .....	15
<b>Figure 10</b>	Net Assets as of June 30, 2009 and 2008 .....	30
<b>Figure 11</b>	Changes in Net Assets for the Fiscal Years Ended June 30, 2009 and 2008.....	31
<b>Figure 12</b>	Revenues by Source – Governmental Activities, Fiscal Year 2009 .....	32
<b>Figure 13</b>	Expenses by Type – Governmental Activities, Fiscal Year 2009 .....	32
<b>Figure 14</b>	Business-type Activities – Program Revenues and Expenses for the Fiscal Year Ended June 30, 2009.....	33
<b>Figure 15</b>	Capital Assets as of June 30, 2009 (Net of Depreciation).....	35
<b>Figure 16</b>	Outstanding Debt as of June 30, 2009 – General Obligation Bonds.....	36

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# INTRODUCTORY SECTION

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



# COMMONWEALTH OF VIRGINIA

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COMPTROLLER

*Office of the Comptroller*

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December 14, 2009

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, 2009, 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 2009 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, 2009. 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 27 immediately following the independent auditor's report.

## **PROFILE OF THE GOVERNMENT**

### **REPORTING ENTITY**

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

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

# ECONOMIC REVIEW

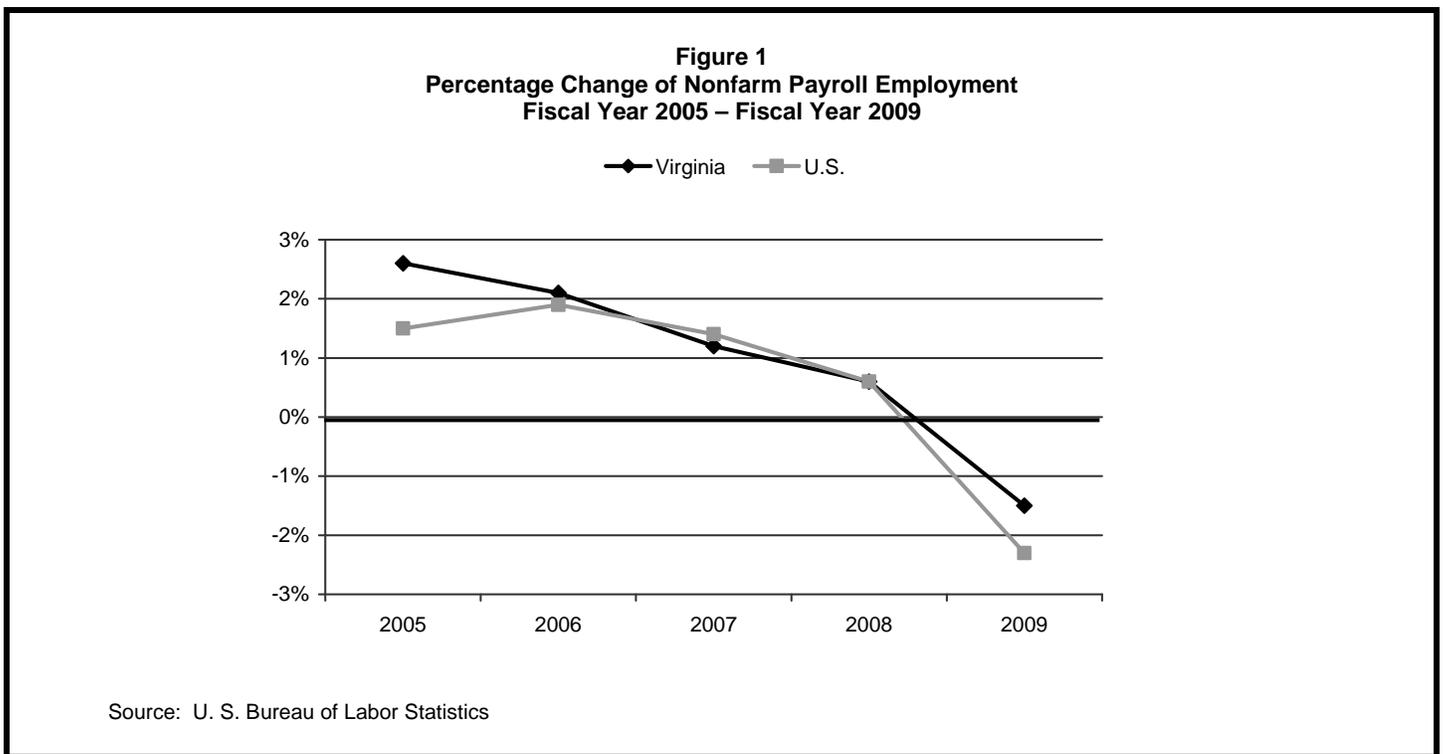
## LOCAL ECONOMY

### Introduction

An economist at the University of Virginia's Weldon Cooper Center for Public Service prepared this section on recent developments in the Virginia economy. In fiscal year 2009, the Commonwealth's economy was caught in what many have called "the Great Recession" – the most severe economic downturn since the Great Depression of the 1930s. The recession, which began midway through fiscal year 2008 in December 2007, reached full force in the next fiscal year. In fact, the official arbiter of recessions, the National Bureau of Economic Research, has yet to establish the bottom, even though many economists think a slow turnaround is likely in the near future. The analysis in this section covers the last five fiscal years in order to provide perspective on recent developments. All of the data are the most recent available for the time period covered. This means that many of the earlier observations in last year's analysis have been revised to incorporate new benchmarks and more plentiful information.

### Employment

Virginia's nonfarm payroll employment fell by 55,300 or -1.5 percent in fiscal year 2009. The national growth rate in fiscal year 2009 fell even lower (-2.3 percent). As shown in **Figure 1**, the rate of growth diminished in each year.



**Figure 2** shows changes in employment by industry based on the North American Industry Classification System (NAICS). Of the 15 industries shown, only five (education and health services, other services such as repair and laundry, federal government, state government, and local government) reported gains. Major sectors such as construction, manufacturing, and retail trade sustained large losses. Developments at the national level were similar, but in total, the relative loss was worse.

**Figure 2**  
**Nonfarm Payroll Employment**  
**Fiscal Year 2005 – Fiscal Year 2009**

NAICS Industry	Virginia Employment (000)					Change, Fiscal Year 2008 to Fiscal Year 2009		
						Virginia		U.S.
	2005	2006	2007	2008	2009	Number (000)	Percent	Percent
Mining and logging	10.4	11.1	11.2	10.8	11.2	0.4	3.7	3.4
Construction	237.3	248.9	244.7	232.5	206.7	(25.8)	(11.1)	(9.6)
Manufacturing	298.0	292.7	282.8	271.5	254.0	(17.5)	(6.4)	(7.2)
Wholesale trade	115.7	118.6	120.6	120.4	115.7	(4.7)	(3.9)	(3.2)
Retail trade	414.8	422.3	425.4	426.2	414.9	(11.3)	(2.7)	(2.9)
Transportation and utilities	121.1	120.5	119.4	119.7	118.1	(1.6)	(1.3)	(3.3)
Information services	94.9	92.0	91.2	89.1	84.1	(5.0)	(5.6)	(3.0)
Financial activities	190.8	194.0	195.1	191.1	187.1	(4.0)	(2.1)	(3.3)
Professional and business services	593.6	618.6	637.6	653.1	648.6	(4.5)	(0.7)	(4.0)
Education and health services	387.4	399.6	411.9	430.1	441.3	11.2	2.6	2.6
Leisure and hospitality	325.1	334.4	342.4	348.5	344.5	(4.0)	(1.1)	(1.4)
Other services	180.5	181.1	183.6	187.2	187.5	0.3	0.2	(0.8)
Federal government	151.7	152.7	156.3	157.4	163.6	6.2	3.9	2.1
State government	147.6	151.3	153.2	153.4	156.0	2.6	1.7	1.0
Local government	357.4	364.6	370.1	377.0	379.7	2.7	0.7	0.6
<b>Total nonfarm employment</b>	<b>3,626.3</b>	<b>3,702.2</b>	<b>3,745.5</b>	<b>3,768.0</b>	<b>3,712.7</b>	<b>(55.3)</b>	<b>(1.5)</b>	<b>(2.3)</b>

Source: U. S. Bureau of Labor Statistics  
Note: Details may not add to totals due to rounding.

Virginia has 11 Metropolitan Statistical Areas (MSAs), dominated by three – (1) the Virginia portion of the Washington-Arlington-Alexandria DC-VA-MD-WV MSA, labeled the Northern Virginia MSA, (2) the Virginia Beach-Norfolk-Newport News MSA, often referred to as the Hampton Roads MSA, and (3) the Richmond MSA. Together the three areas account for 72 percent of the Commonwealth's nonfarm payroll employment. **Figure 3** shows the annual percentage change in employment for ten of the MSAs. No information is shown for the Kingsport-Bristol TN-VA MSA because most of the area's economic activity is in Tennessee. All three of the major MSAs experienced negative growth in fiscal year 2009, as did Charlottesville, Danville, Harrisonburg, Roanoke, and Winchester. Blacksburg-Christiansburg-Radford and Lynchburg, two areas with relatively large numbers of higher education employees, eked out small gains.

**Figure 3**  
**Nonfarm Payroll Employment of Virginia MSAs**  
**Fiscal Year 2005 – Fiscal Year 2009**

Area	Percent Change				
	2005	2006	2007	2008	2009
Statewide	2.6	2.1	1.2	0.6	(1.5)
<b>Metropolitan areas*</b>	2.7	2.3	1.5	0.4	(2.8)
Blacksburg-Christiansburg-Radford	0.6	1.0	(0.6)	(0.1)	0.6
Charlottesville	3.1	3.7	3.9	1.5	(1.7)
Danville	(2.5)	(1.2)	(4.7)	0.2	(2.4)
Harrisonburg	0.2	2.3	3.7	(1.6)	(1.4)
Lynchburg	2.0	2.2	1.5	1.0	0.3
Northern Virginia	4.1	3.4	1.6	0.8	(0.5)
Richmond	2.5	1.5	1.8	0.3	(2.4)
Roanoke	0.6	2.3	1.2	(0.1)	(1.3)
Virginia Beach-Norfolk-Newport News, VA-NC**	1.7	1.2	0.8	0.2	(0.9)
Winchester VA-NC**	2.2	3.7	3.0	(2.1)	(4.0)

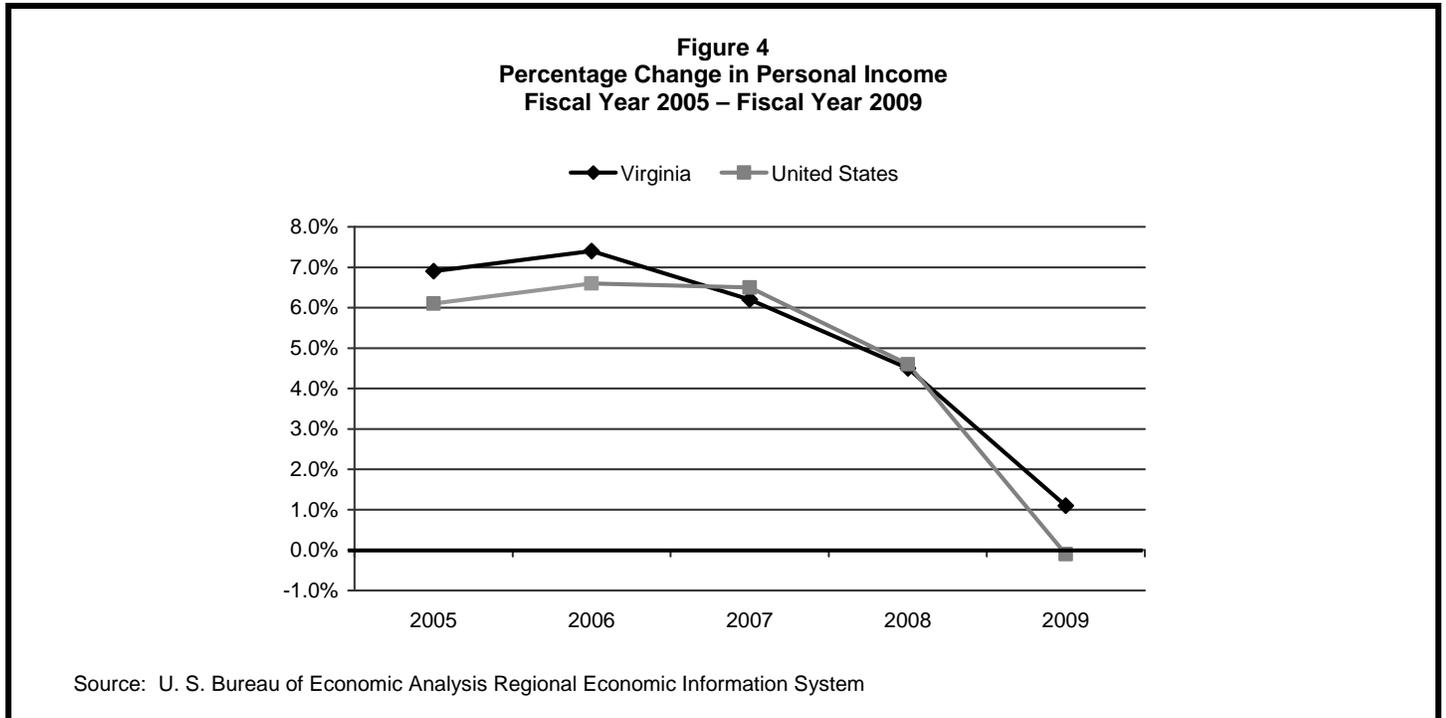
Source: U. S. Bureau of Labor Statistics

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

\*\* Includes non-Virginia portion.

## Personal Income

Personal income is the broadest dollar measure of the Virginia economy that is currently available for the period under review. Developments in personal income have a strong bearing on state government revenues since collections from the individual income and other taxes are related directly or closely to personal income. In fiscal year 2009, Virginia personal income in current dollars grew by only 1.1 percent. As shown in **Figure 4**, this was slightly better than the 0.1 percent negative growth for the nation, but substantially less than in the four previous years. In fact, measured in both current and constant dollars, Virginia's personal income growth was lower in fiscal year 2009 than in any other fiscal year since fiscal year 1970, the first year that the Bureau of Economic Analysis published state quarterly income estimates – the series used to develop fiscal year estimates of personal income.

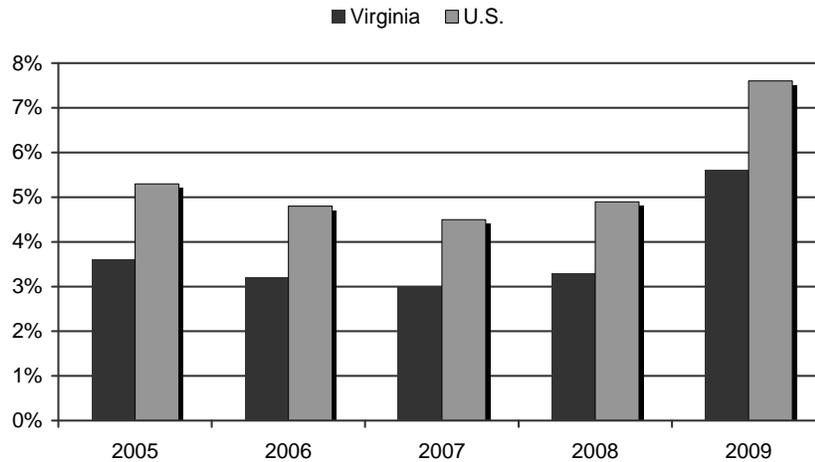


There are three major components of personal income. The first and largest is net earnings by place of residence, which is the sum of wages and salaries and proprietors' income. In fiscal year 2009, net earnings accounted for 71 percent of Virginia personal income and increased by 0.5 percent from the previous year. The second component, dividends, interest, and rent accounted for 17 percent of income. Reflecting poor financial markets, this component declined 2.3 percent from the previous fiscal year. Income transfers, which are mainly Social Security benefits, Medicaid and Medicare benefits, and unemployment insurance payments, accounted for 12 percent of personal income in fiscal year 2009 and grew by 9.9 percent.

## Unemployment

Rising unemployment is a hallmark of a recession. Thus, it is not surprising that the Commonwealth's unemployment rate has risen in recent years. After a small rise in fiscal year 2008, the rate moved up sharply in fiscal year 2009, averaging 5.6 percent, as shown in **Figure 5**. Nonetheless, Virginia's unemployment rate was much lower than the national average of 7.6 percent.

**Figure 5**  
Civilian Unemployment Rate  
Fiscal Year 2005 – Fiscal Year 2009



Source: Virginia Employment Commission

As shown in **Figure 6**, each of the Commonwealth's 11 MSAs experienced an increase in unemployment in fiscal year 2009. Among the metropolitan areas the lowest unemployment rates were in Northern Virginia (4.2 percent) and Charlottesville (4.7 percent). By far the highest rate was in Danville (11.0 percent), an area hit hard by declines in textile manufacturing.

**Figure 6**  
Civilian Unemployment Rates of Virginia MSAs  
Fiscal Year 2005 – Fiscal Year 2009

Area	Unemployment Rate (Percent)				
	2005	2006	2007	2008	2009
State	3.6	3.2	3.0	3.3	5.6
Blacksburg-Christiansburg-Radford	4.1	3.6	3.6	4.0	7.1
Charlottesville	3.2	2.8	2.4	2.7	4.7
Danville	7.6	7.0	6.7	6.5	11.0
Harrisonburg	3.4	2.9	2.5	3.0	5.2
Kingsport-Bristol TN-VA*	4.9	4.6	4.4	4.7	7.4
Lynchburg	4.1	3.5	3.3	3.6	6.0
Northern Virginia portion of Washington-Arlington-Alexandria DC-VA-MD-WV*	2.6	2.3	2.2	2.5	4.2
Richmond	3.8	3.4	3.0	3.5	6.2
Roanoke	3.6	3.1	3.0	3.4	5.8
Virginia Beach-Norfolk-Newport News VA-NC*	4.0	3.5	3.2	3.5	5.8
Winchester VA-WV*	3.0	2.6	2.8	3.4	6.6

Source: Virginia Employment Commission

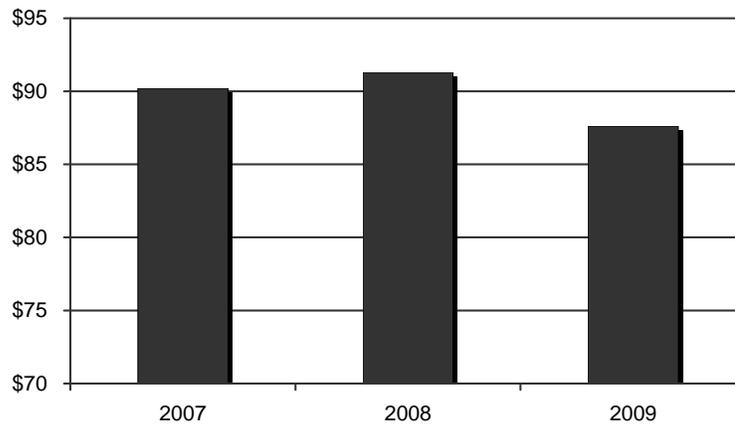
\* Excludes non-Virginia portion.

## Taxable Sales

Current data on retail sales are not produced for states. Nevertheless, sales taxed under the Virginia sales and use tax are available for Virginia. The taxable sales series serves as a very rough proxy for retail sales. However, the data do not include motor vehicle and motor fuel sales and, unlike the Bureau of the Census information on retail sales, taxable sales also include restaurants and lodging places. Comparable data on taxable sales are available for fiscal years 2007, 2008, and 2009. During fiscal year 2006 Virginia changed its reporting methodology with the result that data for years prior to fiscal year 2007 are not comparable.

Virginia taxable sales dropped by 4.1 percent in fiscal year 2009 following an anemic rise of 1.2 percent in fiscal year 2008 as shown in **Figure 7**. Adjusted for inflation, taxable sales dropped 2 percent in fiscal year 2008 and an additional 5.6 percent in fiscal year 2009. (The personal consumption expenditures price index was used for the inflation adjustment.)

**Figure 7**  
**Virginia Taxable Sales**  
**Fiscal Year 2007 – Fiscal Year 2009**  
(Dollars in Billions)

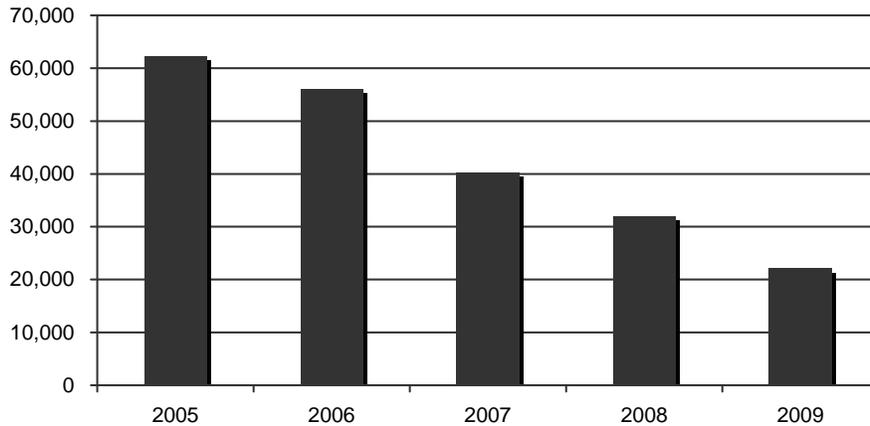


Source: Virginia Department of Taxation

## Housing Market

The housing downturn, which began in fiscal year 2006, deepened severely in subsequent years as shown in **Figure 8**. By fiscal year 2009, new privately owned housing units authorized were down to a level of 22,020, a 31 percent drop from the previous year and far below the fiscal year 2005 level of 62,263. As bad as they were for Virginia, relative declines for the nationwide totals were even greater in fiscal year 2008 and fiscal year 2009.

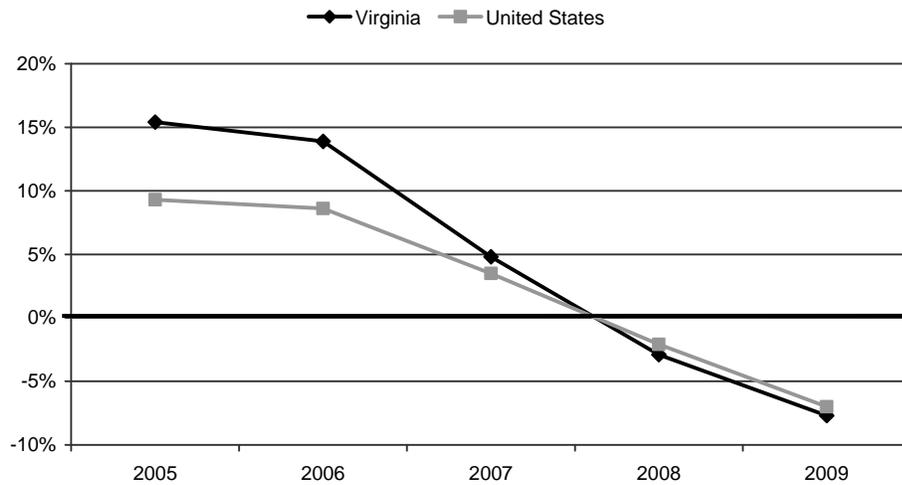
**Figure 8**  
**Virginia New Privately Owned Housing Units Authorized**  
**Fiscal Year 2005 – Fiscal Year 2009**



Source: U. S. Bureau of the Census

Another housing market indicator is the Federal Housing Finance Agency series on house prices. This series was previously published by the Office of Federal Housing Oversight. As shown in **Figure 9**, fiscal year appreciation of existing houses grew at rapid rates in fiscal years 2005 and 2006. Beginning in fiscal year 2008, the change in prices moved into negative territory, dropping by 2.9 percent in fiscal year 2008 and by 7.7 percent in fiscal year 2009. The price changes in Virginia mirrored the national experience in both years.

**Figure 9**  
**Percentage Change in House Prices**  
**Fiscal Year 2005 – Fiscal Year 2009**



Source: Office of Federal Housing Enterprise Oversight

### Conclusion

Fiscal year 2009 was a difficult year for Virginia – a description that applied to the vast majority of states. Compared to national averages for major economic measures, the Commonwealth generally fared better than the nation, a result stemming from Virginia's proximity to the nation's capital, its importance as a defense contractor and location of military personnel, the positive role of the deepwater port at Hampton Roads, and the Commonwealth's strategic location on the eastern seaboard.

## **MAJOR INITIATIVES**

The CAFR has received unqualified audit opinions from fiscal year 1986 through fiscal year 2008. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unqualified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

## **LONG-TERM FINANCIAL PLANNING**

In 1992, an amendment to the *Virginia Constitution* required the establishment of a Revenue Stabilization Fund. Annually, revenue collections are evaluated to determine whether deposits are required to the Fund. Withdrawals can only occur if the general fund revenues appropriated exceed the revised general fund revenue forecast by more than two percent of the certified tax revenues collected in the most recently ended fiscal year. Additionally, a withdrawal from the Fund cannot compensate for more than one-half of the difference between the general fund appropriations and revised estimate nor can it exceed more than one-half of the Fund balance. A continued sluggish economy contributed to declining General Fund revenue collections during FY 2009. Accordingly, the declining revenue collections have required both a revenue re-estimate and fiscal year 2010 budget reductions. It is anticipated that additional budget reductions will be required during fiscal year 2011. Further, the General Assembly authorized a withdrawal from the Fund in FY 2009. Refer to page 34 for additional information.

## **ENTERPRISE APPLICATION PROJECT**

The Cardinal Project represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance and the Virginia Information Technologies Agency to replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (VDOT) financial system with a modern enterprise wide financial system (base financial system). The base financial system will provide a solid foundation for the Commonwealth to expand system functionality and facilitate better integration of key administrative systems across the state. This foundation will enable the Commonwealth to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. The Cardinal project will implement the base financial system in two phases. The first phase implements VDOT's financial system on July 1, 2011, and the second phase implements the Commonwealth's base financial system at the Department of Accounts (DOA) by July 1, 2012. A future phase of the project includes converting all other executive branch state agencies to the Cardinal financial system, at which time CARS and potentially other redundant financial systems could be retired. DOA has representation on the Steering Committee and has assigned full-time resources to this project.

## **AMERICAN RECOVERY AND REINVESTMENT ACT**

In February 2009, the United States Congress and the President passed the American Recovery and Reinvestment Act (ARRA) to help facilitate recovery for the nation's economy. In order to provide reporting transparency and appropriate use of these monies, stringent reporting requirements accompanied these federal funds. In order to help ensure the Commonwealth complied with the ARRA reporting requirements, the Comptroller's staff facilitated collaboration through a variety of communications with fiscal officers throughout the Commonwealth and modified the General Ledger to allow separate reporting for each individual ARRA grant. Further, the Comptroller's staff conducted readiness assessments for each agency that received ARRA funds to help ensure the appropriate processes were in place and performed validation reviews of information being reported to the Office of Management and Budget.

## **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, 2008. 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 23 consecutive years (fiscal years 1986-2008). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

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

Respectfully submitted,

David A. VonMoll  
Comptroller of the Commonwealth of Virginia

# 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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. R. M.", written in a cursive style.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written in a cursive style.

Executive Director

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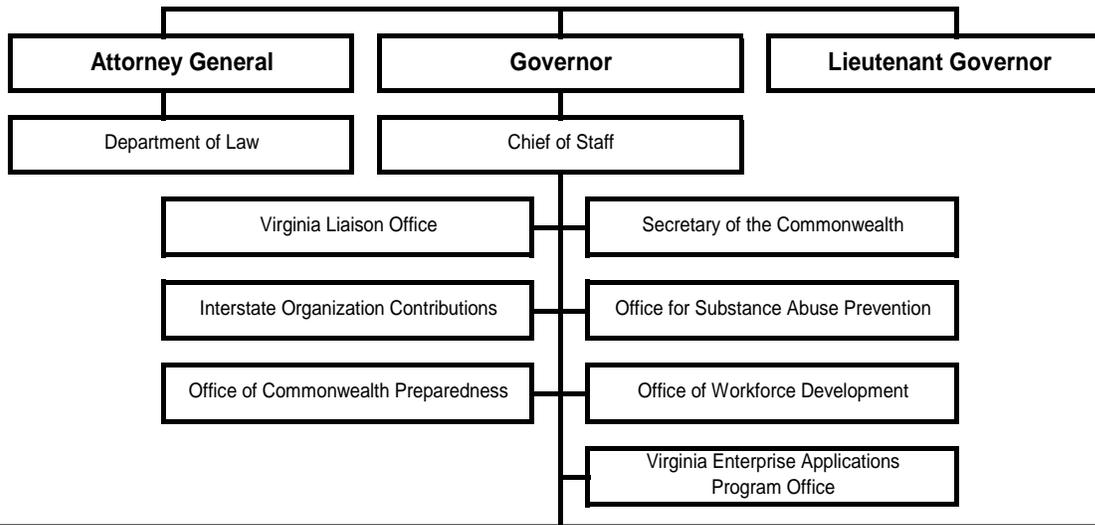
# Organization Charts

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# Organization of Executive Branch of Government

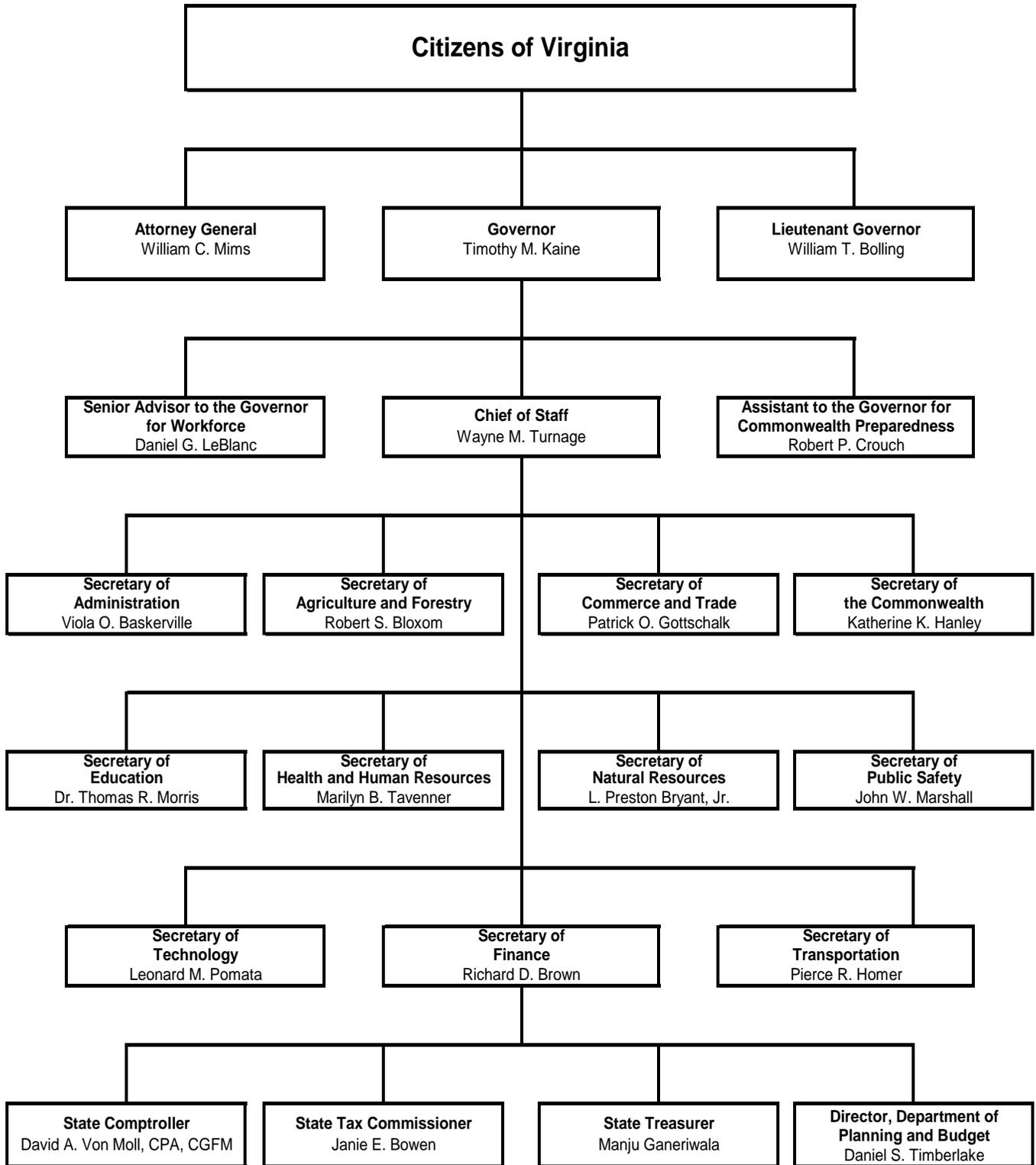
As of June 30, 2009



<p><b>Secretary of Administration</b>            Compensation Board            Commonwealth Competition Council            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</p>	<p><b>Secretary of Education</b>            Christopher Newport University            Department of Education            Frontier Culture Museum of Virginia            George Mason University            Gunston Hall            Higher Education Tuition Moderation Incentive Fund            Higher Education Research Initiative            Institute for Advanced Learning and Research            James Madison University            Jamestown-Yorktown Foundation            Longwood University            New College Institute            Norfolk State University            Old Dominion University            Radford University            Richard Bland College            Roanoke Higher Education Authority            Southern Virginia Higher Education Center            Southwest Virginia Higher Education Center            State Council of Higher Education for Virginia            The College of William and Mary            The Library of Virginia            The Science Museum of Virginia            University of Mary Washington            University of Virginia            Virginia College Building Authority            Virginia Commission for the Arts            Virginia Commonwealth University            Virginia Community College System            Virginia Institute of Marine Science            Virginia Military Institute            Virginia Museum of Fine Arts            Virginia Polytechnic Institute and State University            Virginia School for the Deaf and Blind            Virginia State University</p>	<p><b>Secretary of Health and Human Resources</b>            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            Virginia Board for People with Disabilities            Virginia Rehabilitation Center for the Blind and Vision Impaired            Woodrow Wilson Rehabilitation Center</p>
<p><b>Secretary of Agriculture and Forestry</b>            Department of Agriculture and Consumer Services            Department of Forestry            Virginia Agricultural Council</p>	<p><b>Secretary of Finance</b>            Department of Accounts            Department of Planning and Budget            Department of Taxation            Department of the Treasury            Treasury Board</p>	<p><b>Secretary of Public Safety</b>            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 Correctional Enterprises            Virginia Parole Board</p>
<p><b>Secretary of Commerce and Trade</b>            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 National Defense Industrial Authority            Virginia Racing Commission            Virginia Tourism Authority</p>		<p><b>Secretary of Technology</b>            Innovative Technology Authority            Virginia Information Technologies Agency</p> <p><b>Secretary of Transportation</b>            Department of Aviation            Department of Motor Vehicles            Department of Rail and Public Transportation            Department of Transportation            Motor Vehicle Dealer Board            Towing and Recovery Operators            Virginia Port Authority</p>
<p><b>Secretary of Natural Resources</b>            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</p>		

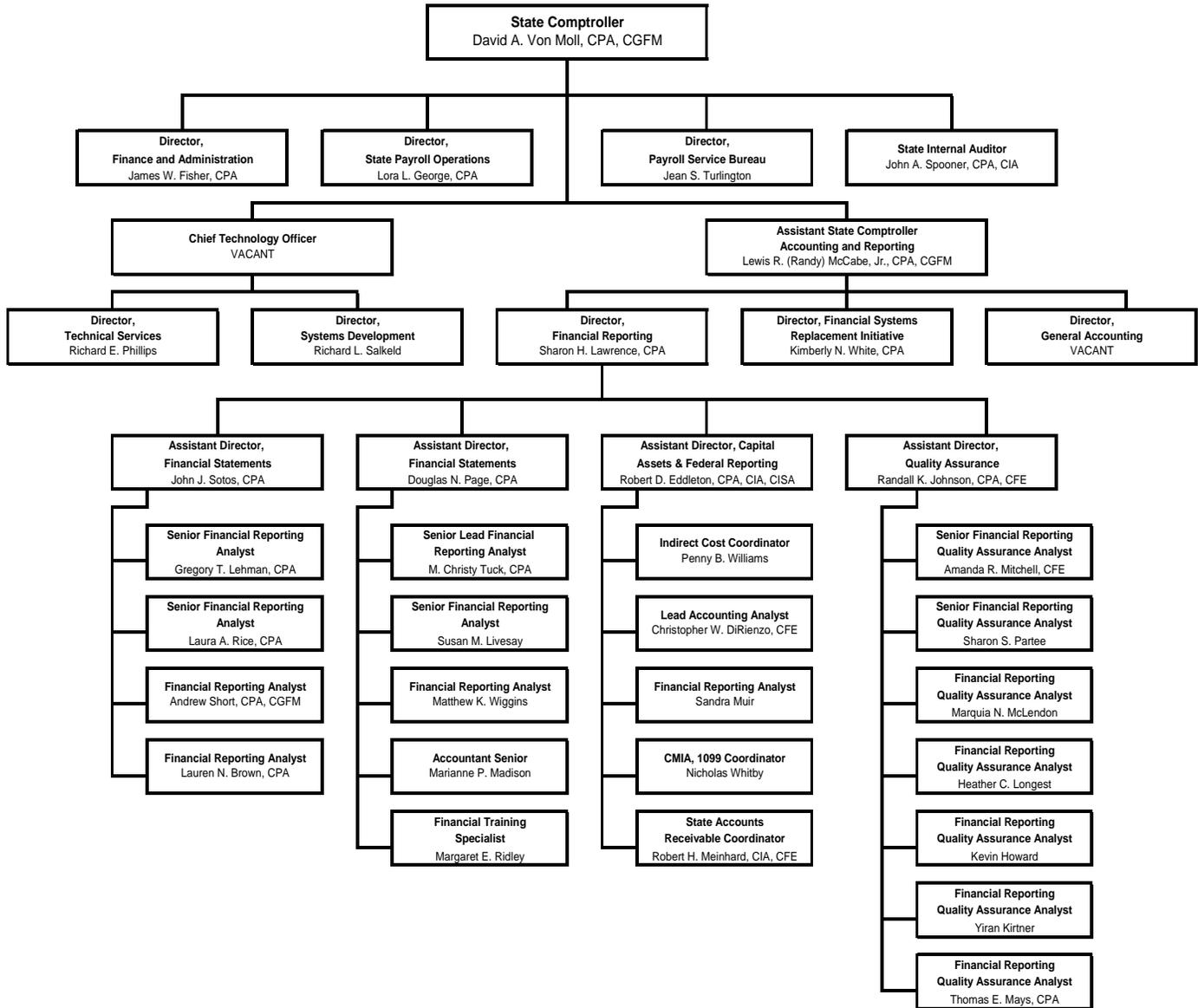
# Organization of Government Selected Government Officials - Executive Branch

As of December 15, 2009



# Organization of the Department of Accounts

As of December 15, 2009



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# FINANCIAL SECTION

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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

Walter J. Kucharski, Auditor

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

December 14, 2009

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

The Honorable M. Kirkland Cox  
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, 2009, 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 component units of the Commonwealth discussed in Note 1.B., which represent 34.24 percent, 21.98 percent, and 10.16 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, Science Museum of Virginia Foundation, Virginia Museum of Fine Arts Foundation, Library of Virginia Foundation, Danville Science Center, Inc, and Virginia Sesquicentennial of the American Civil War Commission, 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, 2009, 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.

The management's discussion and analysis, budgetary comparison schedule, funding progress for defined benefit pension plans, schedule of employer contributions for defined benefit pension plans, funding progress for other post-employment benefit plans, schedule of employer contributions for other post-employment benefit plans, and claims development information on pages 27 through 36 and 163 through 178 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, 2009, 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 in the Commonwealth of Virginia Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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, 2009. 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, 2009, by \$16.3 billion. Net assets of governmental activities decreased by \$1.3 billion and net assets of business-type activities decreased by \$685.9 million. Component units reported a decrease in net assets of \$1.6 billion from June 30, 2008.

#### Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$2.75 billion, a decrease of \$2.0 billion in comparison with the prior year. Of this total fund balance, \$1.77 billion represents unreserved fund balance and the remaining \$976 million represents amounts reserved for specific purposes, such as the Revenue Stabilization Fund. The enterprise funds reported net assets at June 30, 2009, of \$216.6 million, a decrease of \$685.6 million during the year.

The General Fund actual revenues for fiscal year 2009 were \$1.5 billion less than the prior year. Additionally, the actual fiscal year 2009 revenues fell short of the final budgeted revenues by \$361.2 million. This decrease, coupled with continued economic concerns, have contributed to projected budget shortfalls for the fiscal years 2008-2010 and 2011-2012 biennial budgets. See page 34 for additional information.

#### Long-term Debt

The Commonwealth's total debt rose during the fiscal year to \$29.5 billion, an increase of \$2.6 billion or 9.5 percent. During the fiscal year, the Commonwealth issued new debt in the amount of \$782.5 million for the primary government and \$3.9 billion for the component units. These debt issuances increased the debt balances to \$8.7 billion for the primary government and \$20.8 billion for component units.

### Overview of the Financial Statements

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

#### Government-wide Statements

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

The Statement of Net Assets (pages 38 and 39) 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 40 through 42) presents information showing how the Commonwealth's net assets changed during fiscal year 2009. 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 27 non-higher education component units and 22 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 46 and 50) 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 44 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 52 and 54). 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 22 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 62.

The Commonwealth's fiduciary funds are the:

- Private-purpose Trusts, which reports the activities for 7 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
- Pension and Other Employee Benefit Trusts, which reports the activities of 12 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 21 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 179 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 \$16.3 billion during the fiscal year. The net assets of the governmental activities decreased \$1.3 billion or 7.6 percent, primarily due to decreases in current and other assets offset by increases to capital assets as discussed further on page 35. Business-type activities had a decrease of \$685.9 million or 76.1 percent, primarily due to decreases for the Virginia College Savings Plan and the Unemployment Compensation Fund. The government-wide beginning balance was restated primarily for the correction of prior year errors to arrive at a restated beginning balance of \$18.3 billion.

**Figure 10**  
**Net Assets as of June 30, 2009 and 2008**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008 as restated	2009	2008	2009	2008 as restated
Current and other assets	\$ 8,356,433	\$ 10,312,003	\$ 2,920,608	\$ 3,640,278	\$ 11,277,041	\$ 13,952,281
Capital assets	19,691,571	18,615,827	25,740	30,673	19,717,311	18,646,500
Total assets	28,048,004	28,927,830	2,946,348	3,670,951	30,994,352	32,598,781
Long-term liabilities outstanding	6,469,039	5,964,751	2,239,130	2,257,431	8,708,169	8,222,182
Other liabilities	5,503,854	5,564,943	491,709	512,154	5,995,563	6,077,097
Total liabilities	11,972,893	11,529,694	2,730,839	2,769,585	14,703,732	14,299,279
Net assets:						
Invested in capital assets, net of related debt	16,208,688	15,262,095	22,856	26,592	16,231,544	15,288,687
Restricted	1,421,086	1,711,491	372,274	816,061	1,793,360	2,527,552
Unrestricted	(1,554,663)	424,550	(179,621)	58,713	(1,734,284)	483,263
Total net assets	\$ 16,075,111	\$ 17,398,136	\$ 215,509	\$ 901,366	\$ 16,290,620	\$ 18,299,502

The largest portion of the primary government's net assets (99.6 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure, and construction in progress), 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 10**).

An additional portion of the primary government's net assets (11.0 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 (\$1.7 billion) is unrestricted net assets (**Figure 10**).

Approximately 53.8 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 2009, governmental activity expenses exceeded governmental program and general revenue by \$1.9 billion. Expenses exceeded program revenues from business-type activities by \$112.3 million. The following condensed financial information (**Figure 11**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets (see page 40).

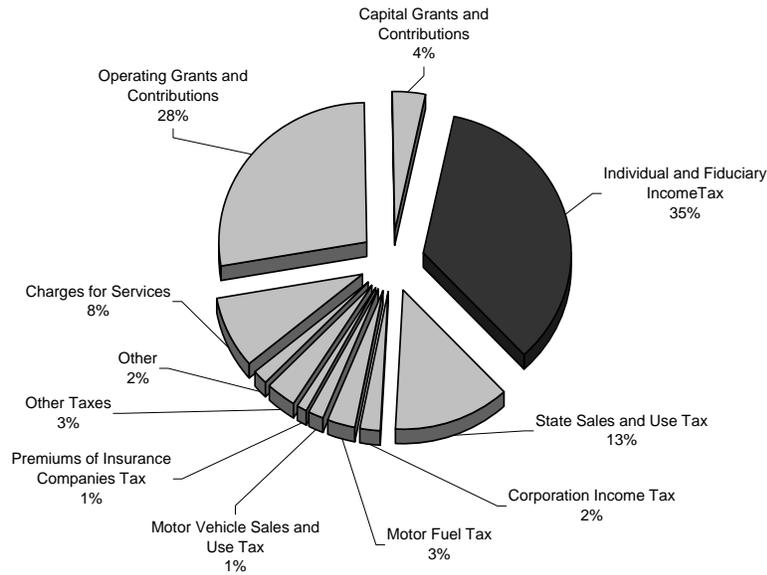
**Figure 11**  
**Changes in Net Assets for the Fiscal Years Ended June 30, 2009 and 2008**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008 as restated	2009	2008	2009	2008 as restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,294,236	\$ 2,390,900	\$ 2,517,206	\$ 2,706,165	\$ 4,811,442	\$ 5,097,065
Operating Grants and Contributions	7,583,725	6,067,358	104,868	39,243	7,688,593	6,106,601
Capital Grants and Contributions	996,875	1,152,439	-	-	996,875	1,152,439
General Revenues:						
Taxes:						
Individual and Fiduciary Income	9,558,764	10,099,573	-	-	9,558,764	10,099,573
State Sales and Use	3,553,675	3,820,715	-	-	3,553,675	3,820,715
Corporation Income	545,800	772,323	-	-	545,800	772,323
Motor Fuel	889,245	923,894	-	-	889,245	923,894
Motor Vehicle Sales and Use	406,400	533,755	-	-	406,400	533,755
Deeds, Contracts, Wills, and Suits	350,614	456,984	-	-	350,614	456,984
Premiums of Insurance Companies	365,404	355,896	-	-	365,404	355,896
Alcoholic Beverage Sales Tax	109,643	105,655	-	-	109,643	105,655
Tobacco Products	182,484	182,850	-	-	182,484	182,850
Estate	3,569	135,781	-	-	3,569	135,781
Public Service Corporations	102,611	106,378	-	-	102,611	106,378
Beer and Beverage Excise	44,597	44,357	-	-	44,597	44,357
Wine and Spirits/ABC Liter	19,625	18,552	-	-	19,625	18,552
Bank Stock	21,323	13,724	-	-	21,323	13,724
Other Taxes	82,047	66,319	12,668	12,531	94,715	78,850
Unrestricted Grants and Contributions	60,001	53,709	-	-	60,001	53,709
Investment Earnings	142,557	348,446	4,550	11,743	147,107	360,189
Miscellaneous	237,423	224,072	599	910	238,022	224,982
<b>Total Revenues</b>	<b>27,550,618</b>	<b>27,873,680</b>	<b>2,639,891</b>	<b>2,770,592</b>	<b>30,190,509</b>	<b>30,644,272</b>
Expenses:						
General Government	2,540,812	2,470,234	-	-	2,540,812	2,470,234
Education	9,565,969	9,300,444	-	-	9,565,969	9,300,444
Transportation	2,786,165	3,053,704	-	-	2,786,165	3,053,704
Resources and Economic Development	1,002,873	877,905	-	-	1,002,873	877,905
Individual and Family Services	10,757,071	9,248,538	-	-	10,757,071	9,248,538
Administration of Justice	2,611,297	2,607,327	-	-	2,611,297	2,607,327
Interest and Charges on Long-term Debt	200,782	204,855	-	-	200,782	204,855
State Lottery	-	-	919,818	936,416	919,818	936,416
Virginia College Savings Plan	-	-	115,447	244,165	115,447	244,165
Unemployment Insurance	-	-	880,989	432,805	880,989	432,805
Alcoholic Beverage Control	-	-	466,734	456,986	466,734	456,986
Local Choice Health Care	-	-	231,215	202,318	231,215	202,318
Nonmajor	-	-	120,219	117,741	120,219	117,741
<b>Total Expenses</b>	<b>29,464,969</b>	<b>27,763,007</b>	<b>2,734,422</b>	<b>2,390,431</b>	<b>32,199,391</b>	<b>30,153,438</b>
Excess/deficiency before transfers	(1,914,351)	110,673	(94,531)	380,161	(2,008,882)	490,834
Transfers	591,326	593,223	(591,326)	(593,223)	-	-
Increase (Decrease) in net assets	(1,323,025)	703,896	(685,857)	(213,062)	(2,008,882)	490,834
Net assets, July 1, as restated	17,398,136	16,694,240	901,366	1,114,428	18,299,502	17,808,668
<b>Net assets, June 30</b>	<b>\$ 16,075,111</b>	<b>\$ 17,398,136</b>	<b>\$ 215,509</b>	<b>\$ 901,366</b>	<b>\$ 16,290,620</b>	<b>\$ 18,299,502</b>

**Governmental Activities Revenues**

**Figure 12** is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues decreased by \$323.1 million, or 1.2 percent. The net decrease is mainly attributable to overall decreases in revenue, primarily due to taxes, offset by increases in the Federal Trust Fund, which are discussed on pages 34 and 35.

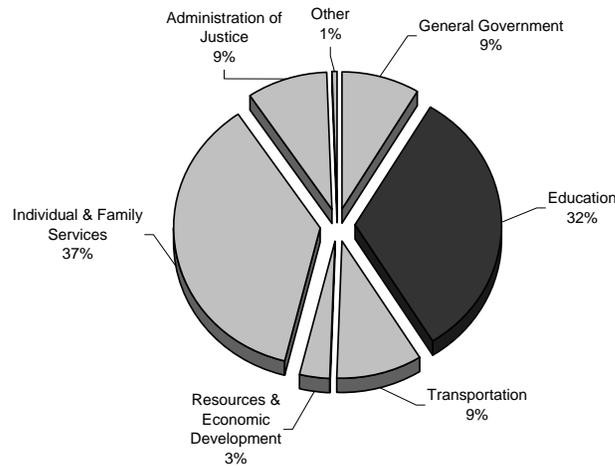
**Figure 12**  
**Revenues by Source – Governmental Activities**  
 Fiscal Year 2009



**Governmental Activities Expenses**

**Figure 13** is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$1.7 billion or 6.1 percent. The majority of the increase is related to individual and family services expenses funded by increased federal support, which is discussed further on page 35.

**Figure 13**  
**Expenses by Type – Governmental Activities**  
 Fiscal Year 2009

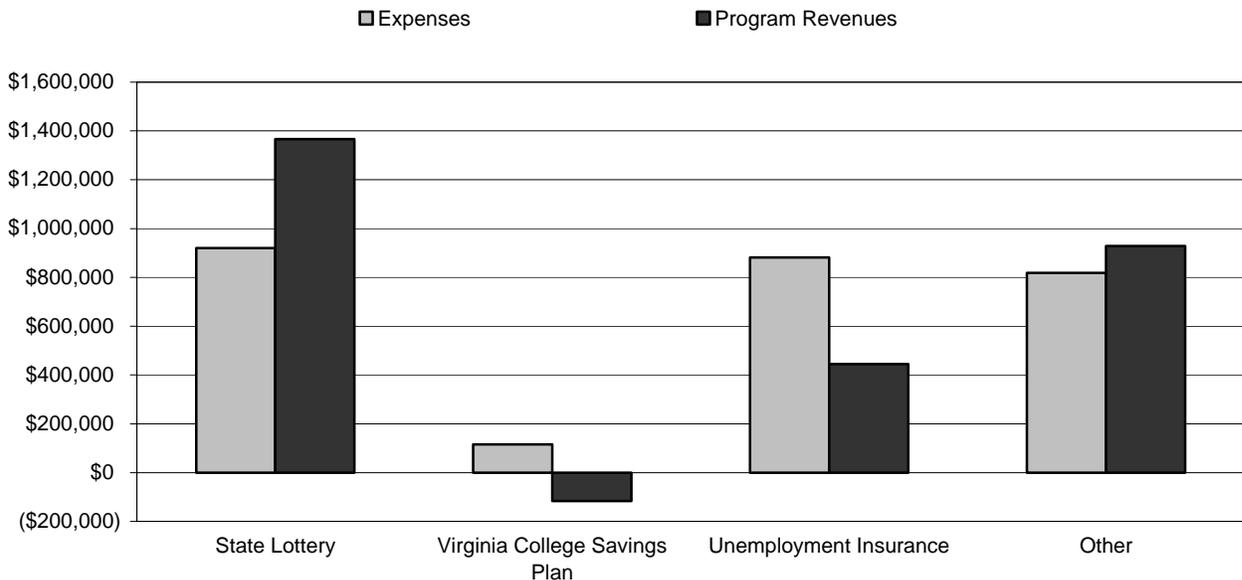


## Net Assets of Business-type Activities

Net assets of business-type activities decreased by \$685.9 million during the fiscal year. Highlights of the changes in net assets for the major enterprise funds were as follows:

- Lottery sales were \$1.4 billion, consistent with the prior year. Net income was \$451.6 million, a decrease of \$13.5 million (2.9 percent) from fiscal year 2008. Sales of scratch games decreased by \$4.5 million (0.7 percent) and online sales decreased by \$16.3 million (2.4 percent). This is offset by a decrease of \$14.8 million (1.6 percent) in total expenses, primarily attributable to the cost of sales and services.
- Virginia College Savings Plan's net assets decreased by \$232.6 million (441.9 percent). This deterioration in financial position is primarily attributable to much worse than anticipated investment performance and a change in the tuition growth assumption that significantly increased the projected unfunded actuarial liability calculated by the Plan's actuary. The decrease in net assets was offset somewhat by revenue from new contract sales.
- Unemployment Compensation Fund net assets decreased by \$443.8 million during fiscal year 2009 as a result of significant increases in benefit claim payments due to the rise of unemployment rates resulting from the recession. These decreases were offset by interest income of \$27.6 million and federal distributions under the American Recovery and Reinvestment Act of \$76.3 million for expanded unemployment benefits. For fiscal year 2009 the average employer assessment rate increased from 1.11 percent in fiscal year 2008 to 1.19 percent, but taxable employer wages decreased by approximately \$400 million, contributing to an overall premium revenue decrease of \$8.7 million. For benefit payments, which are reflective of Virginia's softening employment market, the overall average unemployment rate for fiscal year 2009 rose from 3.4 percent to 5.6 percent. The increase in the unemployment rate translated into an additional 352,633 benefit claimants for fiscal year 2009 over the prior year. Additionally, the average weekly benefit payment increased from \$269 to \$282 per week, a 4.8 percent increase, and the average claim duration also slightly increased from an average 12.5 weeks to 12.6 weeks. These multiple influences led to total increased benefit payments of \$448.2 million over the prior year.

**Figure 14**  
**Business-type Activities**  
**Program Revenues and Expenses**  
 For the Fiscal Year Ended June 30, 2009  
 (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 \$2.75 billion. Of this amount, \$1.77 billion, or 64.5 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 (\$928.0) million and reserved fund balance was \$669.5 million. As discussed in Note 5, the decrease in reserved fund balance is due largely to a withdrawal of \$490.0 million from the Revenue Stabilization Fund during the fiscal year to offset declining revenue. When compared to the prior year, the net change in fund balance of the General Fund is a decrease of \$680.6 million. Fiscal year 2009 General Fund revenues were 9.1 percent or \$1.5 billion less than fiscal year 2008 revenues. This was primarily attributable to a \$1.4 billion decrease (8.7 percent) in overall tax revenue. Fiscal year 2009 expenditures decreased \$624.2 million as compared to fiscal year 2008. This was attributable to increases in education expenditures of \$201.5 million, and decreases in capital outlay expenditures, general government expenditures, administration of justice expenditures, and individual and family services expenditures of \$364.0 million, \$149.3 million, \$133.0 million, and \$120.8 million, respectively. Net other financing sources and uses increased by \$178.4 million which is due to both higher transfers in and lower transfers out.

### **Budget Highlights**

The General Fund recognized decreases in overall growth when compared to 2008. Additionally, the economic conditions contributed to a decrease in the original revenue budget by \$1.5 billion. This reduction was primarily attributable to decreases in the final budget for individual and fiduciary income tax revenue of \$1.1 billion, sales and use tax revenue of \$290.2 million, and deeds, contracts, wills, and suits tax revenues of \$82.7 million. Total actual revenues were less than final budgeted revenues by \$275.4 million.

Total final budget expenditures were less than original budget expenditures by \$665.4 million or 3.8 percent, primarily due to actions taken to reduce spending as a result of declining revenue collections. Approximately \$343.6 million of the decrease is related to individual and family services expenditures. Additionally, budgeted expenditures for education and capital outlay decreased by \$236.5 and \$85.4 million, respectively.

The Commonwealth spent less than planned so actual expenditures were \$388.2 million or 2.3 percent lower than final budget expenditures. This General Fund variance was due mostly to a decrease in administration of justice expenditures of \$140.3 million. Of this amount, \$109.5 million was paid using State Fiscal Stabilization Funds received from the American Recovery and Reinvestment Act and is recorded in the Federal Trust Fund.

### **Budget Outlook**

The economic climate for fiscal year 2010 revenue continues to reflect a slowing economy. Slower income growth, lower consumer confidence, and the downward trends in the housing market continue to drive shortfalls in withholding, sales, and recordation taxes. The two General Fund revenue sources most closely tied to current economic activity – payroll withholding and retail sales taxes – were significantly lower than the estimated revenue collections and growth rate for fiscal year 2009. The current economic climate, coupled with lower than anticipated revenue growth during fiscal year 2009, have contributed to a \$1.2 billion reduction in the General Fund revenue forecast for fiscal year 2010. Based on the most recent General Fund revenue estimate, the fiscal year 2010 revenue is projected to decline by 1.6 percent from the fiscal year 2009 revenue collections. In addition, projected fiscal year 2010 revenue will be less than the actual revenue collected in both fiscal year 2008 and fiscal year 2009. Due to the downwardly revised estimated revenue collections, the Commonwealth will accordingly adjust the planned General Fund spending. The Governor instructed Cabinet Secretaries to prepare and submit plans for five, ten, and fifteen percent reductions in General Fund spending for the fiscal year 2010. The Governor will release his fiscal year 2010 budget reductions in conjunction with his amendments to the 2008-2010 biennial budget on December 18, 2009.

### **Major Special Revenue Fund Highlights**

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of \$1.43 billion, a decrease of \$413.5 million from the prior year. Approximately \$2.2 billion is committed for various highway, public transportation, and rail preservation projects (see Note 18). The decrease in fund balance was primarily the result of the following activities: revenues and expenditures both decreased \$277.4 million, or 7.4 percent and \$187.9 million, or 4.8 percent, respectively, with expenditures exceeding revenues by approximately \$263.3 million. This decreased activity is primarily due to decreased federal funds available for construction and decreases in secondary highway maintenance. Additionally, interest earnings decreased.

The Federal Trust Fund balance decreased by \$32.4 million, or 37.4 percent. Federal Grants and Contracts revenue increased by approximately \$1.59 billion, or 27.8 percent. This increase was offset with an increase in total expenditures of approximately \$1.69 billion, or 29.5 percent. The increases in Federal Grants and Contracts revenue included \$587.5 million in American Recovery and Reinvestment Act receipts, \$214.0 million in food stamps, \$191.9 million for the Virginia Employment Commission and \$136.9 million for Medicaid funding due to the economic downturn to supplement individual and family services payments.

The Literary Fund's fund balance decreased by \$95.3 million, or 32.4 percent, in fiscal year 2009 from fiscal year 2008. Net disbursements exceeded net receipts due to an increase of \$112.7 million in disbursements for school employee retirement and social security contributions per Chapter 781, 2009 Acts of Assembly.

### 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, 2009, amounts to \$19.7 billion (net of accumulated depreciation totaling \$11.5 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction-in-progress. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. As noted on page 30, decreases in current and other assets offset by increases to capital assets resulted in a decrease in net assets of the governmental activities of \$1.3 billion or 7.6 percent. The increase in the primary government's investment in capital assets was primarily attributable to increases in infrastructure of \$838.5 million related to transportation. The primary government reports equipment with a value of \$50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, and infrastructure that have a cost or value greater than \$100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 12, "Capital Assets."

**Figure 15**  
**Capital Assets as of June 30, 2009**  
**(Net of Depreciation)**  
(Dollars in Thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 2,067,422	\$ 1,977	\$ 2,069,399
Buildings	2,019,713	7,190	2,026,903
Equipment	452,412	16,237	468,649
Infrastructure	11,887,962	-	11,887,962
Construction in Progress	3,264,062	336	3,264,398
<b>Total</b>	<b>\$ 19,691,571</b>	<b>\$ 25,740</b>	<b>\$ 19,717,311</b>

**Long-term Debt.** The Commonwealth is prohibited from issuing general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of \$29.5 billion, including total tax-supported debt of \$9.0 billion and total debt not supported by taxes of \$20.5 billion. Bonds backed by the full faith and credit of the government and tax-supported total \$1.7 billion. Debt is considered tax supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional \$726.4 million is considered moral obligation debt which is not tax-supported. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2009, the Commonwealth issued \$4.7 billion of new debt for various projects. \$782.5 million of the new debt was for the primary government and \$3.9 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found on page 132 in Note 24, "Long-Term Liabilities," as well as in the section entitled "Debt Schedules." The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service; Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc.; and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which may be issued to fund the defense of the Commonwealth; to meet casual deficits in revenue or in anticipation of the collection of revenues; or to redeem previous debt obligations, and are limited to 30 percent of 1.15 times the annual tax revenues for fiscal year 2009. 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 2007, 2008, and 2009. 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 2007, 2008, and 2009. The current debt limitation for the Commonwealth is \$4.6 billion, \$14.8 billion, and \$15.3 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt. Currently, there is no 9(a) debt outstanding.

**Figure 16**  
**Outstanding Debt as of June 30, 2009**  
**General Obligation Bonds**  
(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General obligation bonds				
9(b)	\$ 1,040,636	\$ -	\$ 1,040,636	\$ -
9(c)	36,884	-	36,884	573,550
Total	<u>\$ 1,077,520</u>	<u>\$ -</u>	<u>\$ 1,077,520</u>	<u>\$ 573,550</u>

### Economic Factors and Review

In fiscal year 2009, the nation experienced what many have called “the Great Recession” – the most severe economic downturn since the Great Depression of the 1930s. The Commonwealth was not immune to this economic downtrend. Virginia’s nonfarm employment growth rate fell slightly; however the national growth rate fell even lower. The Commonwealth’s personal income in current dollars grew by just 1.1 percent, by far the lowest growth in the four previous years. Although it increased sharply in fiscal year 2009, unemployment in the Commonwealth was only 5.6 percent, substantially lower than the national average, which was 7.6 percent. Taxable sales suffered a 4.1 percent decline in fiscal year 2009 following only a slight rise of 1.2 percent in fiscal year 2008. During fiscal year 2009, new housing in Virginia continued to fall by 31 percent. Compared to national averages, the Commonwealth generally fared better than the nation. For a more in-depth discussion on the Commonwealth’s economy see “Economic Review” on page 8.

### 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.

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# Government-wide Financial Statements

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## Statement of Net Assets

June 30, 2009

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 3,414,957	\$ 756,394	\$ 4,171,351	\$ 1,838,720
Investments (Notes 1 and 6)	1,673,492	1,704,720	3,378,212	8,457,539
Receivables, Net (Notes 1 and 7)	2,471,391	452,138	2,923,529	12,036,494
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	308,163
Internal Balances (Note 1)	45,157	(45,157)	-	-
Due from Primary Government (Note 9)	-	-	-	56,454
Due from Component Units (Note 9)	252	-	252	88,859
Due from External Parties (Fiduciary Funds) (Note 9)	185	-	185	-
Inventory (Note 1)	135,298	50,030	185,328	81,459
Prepaid Items (Note 1)	62,352	2,321	64,673	98,242
Other Assets (Notes 1 and 10)	3,846	162	4,008	168,167
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	172,160
Loans Receivable from Component Units (Notes 1 and 9)	23,812	-	23,812	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	525,691	-	525,691	2,692,263
Restricted Investments (Notes 6 and 11)	-	-	-	3,522,562
Other Restricted Assets (Note 11)	-	-	-	165,676
Nondepreciable Capital Assets (Notes 1 and 12)	5,331,484	2,313	5,333,797	2,658,707
Depreciable Capital Assets, Net (Notes 1 and 12)	14,360,087	23,427	14,383,514	9,157,433
<b>Total Assets</b>	<b>28,048,004</b>	<b>2,946,348</b>	<b>30,994,352</b>	<b>41,502,898</b>
<b>Liabilities</b>				
Accounts Payable (Notes 1 and 22)	871,674	45,627	917,301	901,325
Amounts Due to Other Governments	458,773	26,282	485,055	79,361
Due to Primary Government (Note 9)	-	-	-	252
Due to Component Units (Note 9)	56,454	-	56,454	88,859
Due to External Parties (Fiduciary Funds) (Note 9)	116	-	116	-
Unearned Revenue (Note 1)	113,893	4,797	118,690	315,460
Obligations Under Securities Lending Program (Notes 1 and 6)	1,580,357	286,765	1,867,122	161,440
Other Liabilities (Notes 1 and 23)	1,736,460	90,971	1,827,431	1,075,814
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	23,812
Loans Payable to Component Units (Notes 1 and 9)	172,160	-	172,160	-
<b>Claims Payable:</b>				
Due Within One Year (Notes 1 and 21)	167,240	28,152	195,392	63,346
Due in More Than One Year (Notes 1 and 21)	346,727	9,115	355,842	42,048
<b>Long-term Liabilities:</b>				
Due Within One Year (Notes 1, 19, and 24)	595,872	196,540	792,412	1,310,832
Due in More Than One Year (Notes 1, 19, and 24)	5,873,167	2,042,590	7,915,757	19,434,320
<b>Total Liabilities</b>	<b>11,972,893</b>	<b>2,730,839</b>	<b>14,703,732</b>	<b>23,496,869</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	16,208,688	22,856	16,231,544	6,961,608
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	2,155,439
Permanent Funds	43,263	-	43,263	-
Other	-	-	-	92,791
Expendable:				
Higher Education	-	-	-	3,336,957
Permanent Funds	1,657	-	1,657	-
Revenue Stabilization Fund	575,064	-	575,064	-
Literary Fund	198,476	-	198,476	-
Gifts and Grants	100,995	-	100,995	14,541
Unemployment Compensation	-	372,087	372,087	-
Virginia Pooled Investment Program	-	-	-	6,990
Capital Projects/Construction/Capital Acquisition	398,211	187	398,398	1,565,958
Debt Service	102,456	-	102,456	72,693
Bond Indenture	-	-	-	1,970,640
Lottery Proceeds Fund	964	-	964	-
Other	-	-	-	50,717
Unrestricted	(1,554,663)	(179,621)	(1,734,284)	1,777,695
<b>Total Net Assets</b>	<b>\$ 16,075,111</b>	<b>\$ 215,509</b>	<b>\$ 16,290,620</b>	<b>\$ 18,006,029</b>

**Statement of Activities**

For the Fiscal Year Ended June 30, 2009

(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	\$ 2,540,812	\$ 242,881	\$ 149,609	\$ 175
Education	9,565,969	372,851	787,445	370
Transportation	2,786,165	643,528	53,057	993,896
Resources and Economic Development	1,002,873	298,730	236,297	995
Individual and Family Services	10,757,071	415,138	6,320,191	734
Administration of Justice	2,611,297	321,108	37,126	705
Interest and Charges on Long-term Debt	200,782	-	-	-
Total Governmental Activities	<u>29,464,969</u>	<u>2,294,236</u>	<u>7,583,725</u>	<u>996,875</u>
Business-type Activities				
State Lottery	919,818	1,366,012	-	-
Virginia College Savings Plan (Note 1)	115,447	(116,992)	-	-
Unemployment Compensation	880,989	341,058	103,952	-
Alcoholic Beverage Control	466,734	572,795	916	-
Local Choice Health Care	231,215	225,747	-	-
Other	120,219	128,586	-	-
Total Business-type Activities	<u>2,734,422</u>	<u>2,517,206</u>	<u>104,868</u>	<u>-</u>
Total Primary Government	<u>\$ 32,199,391</u>	<u>\$ 4,811,442</u>	<u>\$ 7,688,593</u>	<u>\$ 996,875</u>
<b>Component Units</b>				
Virginia Housing Development Authority	\$ 596,807	\$ 542,091	\$ 130,723	\$ -
Virginia Public School Authority	164,640	149,937	-	-
Higher Education:				
Major	6,075,066	4,234,886	541,960	132,030
Nonmajor	4,073,007	1,648,247	463,089	268,650
Other Nonmajor (Note 1)	739,928	504,882	(22,305)	83,698
Total Component Units	<u>\$ 11,649,448</u>	<u>\$ 7,080,043</u>	<u>\$ 1,113,467</u>	<u>\$ 484,378</u>

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

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (2,148,147)	\$ -	\$ (2,148,147)	\$ -
(8,405,303)	-	(8,405,303)	-
(1,095,684)	-	(1,095,684)	-
(466,851)	-	(466,851)	-
(4,021,008)	-	(4,021,008)	-
(2,252,358)	-	(2,252,358)	-
(200,782)	-	(200,782)	-
(18,590,133)	-	(18,590,133)	-
-	446,194	446,194	-
-	(232,439)	(232,439)	-
-	(435,979)	(435,979)	-
-	106,977	106,977	-
-	(5,468)	(5,468)	-
-	8,367	8,367	-
-	(112,348)	(112,348)	-
(18,590,133)	(112,348)	(18,702,481)	-
-	-	-	76,007
-	-	-	(14,703)
-	-	-	(1,166,190)
-	-	-	(1,693,021)
-	-	-	(173,653)
-	-	-	(2,971,560)

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2009

(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	9,558,764	-	9,558,764	-
Sales and Use	3,553,675	-	3,553,675	-
Corporation Income	545,800	-	545,800	-
Motor Fuel	889,245	-	889,245	-
Motor Vehicle Sales and Use	406,400	-	406,400	-
Deeds, Contracts, Wills, and Suits	350,614	-	350,614	-
Premiums of Insurance Companies	365,404	-	365,404	-
Alcoholic Beverage Sales Tax	109,643	-	109,643	-
Tobacco Products	182,484	-	182,484	-
Estate	3,569	-	3,569	-
Public Service Corporations	102,611	-	102,611	-
Beer and Beverage Excise	44,597	-	44,597	-
Wine and Spirits/ABC Liter	19,625	-	19,625	-
Bank Stock	21,323	-	21,323	-
Other Taxes	82,047	12,668	94,715	-
Operating Appropriations from Primary Government	-	-	-	1,921,791
Unrestricted Grants and Contributions	60,001	-	60,001	42,188
Investment Earnings (Note 1)	142,557	4,550	147,107	(799,749)
Miscellaneous	237,423	599	238,022	50,638
Tobacco Master Settlement	-	-	-	13,974
Transfers	591,326	(591,326)	-	-
Contributions to Permanent Funds and Endowments	-	-	-	124,859
Total General Revenues and Transfers	17,267,108	(573,509)	16,693,599	1,353,701
Change in Net Assets	(1,323,025)	(685,857)	(2,008,882)	(1,617,859)
Net Assets - July 1, as restated (Note 2)	17,398,136	901,366	18,299,502	19,623,888
Net Assets - June 30	\$ 16,075,111	\$ 215,509	\$ 16,290,620	\$ 18,006,029

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

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# Governmental Funds

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## General Fund

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

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## Special Revenue Funds

*Special Revenue Funds account for specific revenue sources that are restricted 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 181 in the Combining and Individual Fund Statements and Schedules section of this report.

**Balance Sheet – Governmental Funds**

June 30, 2009

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
<b>Assets</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 331,445	\$ 1,524,840	\$ 123,686	\$ 67,134
Investments (Notes 1 and 6)	1,219,577	256,135	9,027	17,577
Receivables, Net (Notes 1 and 7)	1,028,725	293,322	715,832	339,094
Due from Other Funds (Note 9)	16,191	278	31	-
Due from External Parties (Fiduciary Funds) (Note 9)	27	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	47,368	51,699	15,384	-
Prepaid Items (Note 1)	46,114	7,311	751	-
Other Assets (Notes 1 and 10)	981	514	1,293	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Restricted Cash and Cash Equivalents (Notes 1, 6, and 11)	-	68,435	-	-
Total Assets	<u>\$ 2,690,428</u>	<u>\$ 2,202,534</u>	<u>\$ 866,004</u>	<u>\$ 423,805</u>
<b>Liabilities and Fund Balances</b>				
Accounts Payable (Notes 1 and 22)	\$ 269,957	\$ 224,654	\$ 143,959	\$ 225
Amounts Due to Other Governments	253,326	799	127,863	-
Due to Other Funds (Note 9)	19,568	12,638	9,216	-
Due to Component Units (Note 9)	10,940	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Interfund Payable (Note 9)	-	-	4,197	-
Deferred Revenue (Note 1)	372,290	37,784	54,961	20,717
Unearned Revenue (Note 1)	-	21,922	14,393	-
Deferred Taxes (Note 1)	199,308	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	807,765	469,618	16,551	32,227
Other Liabilities (Notes 1 and 23)	1,015,159	4,869	440,533	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	172,160
Long-term Liabilities Due Within One Year (Notes 1, 19, and 24)	582	139	76	-
Total Liabilities	<u>2,948,895</u>	<u>772,423</u>	<u>811,749</u>	<u>225,329</u>
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	575,064	-	-	-
Lottery Proceeds Fund	964	-	-	-
Inventory	47,368	51,699	15,384	-
Prepaid Items	46,114	7,311	751	-
Debt Service	-	-	-	-
Gifts and Grants	-	21,302	-	-
Capital Acquisition / Construction	-	66,724	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Fund	(927,977)	-	-	-
Special Revenue Funds	-	1,283,075	38,120	198,476
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances (Deficit) (Note 3)	<u>(258,467)</u>	<u>1,430,111</u>	<u>54,255</u>	<u>198,476</u>
Total Liabilities and Fund Balances	<u>\$ 2,690,428</u>	<u>\$ 2,202,534</u>	<u>\$ 866,004</u>	<u>\$ 423,805</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,303,067	\$ 3,350,172
91,839	1,594,155
65,171	2,442,144
7,909	24,409
158	185
43,478	43,478
4,840	119,291
7,705	61,881
954	3,742
23,812	23,812
-	68,435
<u>\$ 1,548,933</u>	<u>\$ 7,731,704</u>
\$ 63,607	\$ 702,402
1,445	383,433
6,765	48,187
13,259	24,199
116	116
-	4,197
14,925	500,677
8,851	45,166
-	199,308
108,733	1,434,894
5,520	1,466,081
-	172,160
270	1,067
<u>223,491</u>	<u>4,981,887</u>
-	575,064
-	964
4,840	119,291
7,705	61,881
102,456	102,456
28,317	49,619
-	66,724
-	(927,977)
805,717	2,325,388
331,487	331,487
44,920	44,920
<u>1,325,442</u>	<u>2,749,817</u>
<u>\$ 1,548,933</u>	<u>\$ 7,731,704</u>

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

June 30, 2009

(Dollars in Thousands)

**Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)** \$ 2,749,817

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.

Non Depreciable Capital Assets 5,330,672  
 Depreciable Capital Assets 14,301,444

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.

Tax Note	(81,278)
Pension Liability	(978,157)
OPEB Liability	(115,751)
Capital Lease	(83,954)
Installment Purchases	(59,568)
Compensated Absences	(328,799)
Uninsured Employer's Fund	(22,302)
Regional Jails	(8,231)
Bonds	(4,627,478)
Notes	(15,739)
Accrued Interest Payable	(65,540)
Other Obligations	(104,629)
Pollution Remediation Liability	(2,472)

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. (110,306)

Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds. (203,295)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 500,677

**Net assets of governmental activities (see Government-wide Statement of Net Assets)** \$ 16,075,111

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, 2009

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
<b>Revenues</b>				
Taxes	\$ 14,248,875	\$ 1,938,598	\$ -	\$ -
Rights and Privileges	67,362	549,598	-	243
Institutional Revenue	6,402	-	-	-
Interest, Dividends, Rents, and Other Investment Income (Note 1)	122,092	52,219	2,220	22,075
Federal Grants and Contracts	-	798,683	7,305,109	-
Other (Note 25)	345,698	122,774	77,654	173,467
<b>Total Revenues</b>	<b>14,790,429</b>	<b>3,461,872</b>	<b>7,384,983</b>	<b>195,785</b>
<b>Expenditures</b>				
Current:				
General Government	1,670,552	1,967	124,432	1,045
Education	8,027,334	2,377	886,446	303,306
Transportation	11,863	3,671,070	15,778	-
Resources and Economic Development	288,560	10,568	173,700	-
Individual and Family Services	4,071,473	-	6,052,896	-
Administration of Justice	2,286,639	8,637	149,012	-
Capital Outlay	10,659	30,506	14,682	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
<b>Total Expenditures</b>	<b>16,367,080</b>	<b>3,725,125</b>	<b>7,416,946</b>	<b>304,351</b>
Revenues Over (Under) Expenditures	(1,576,651)	(263,253)	(31,963)	(108,566)
<b>Other Financing Sources (Uses)</b>				
Transfers In (Note 30)	672,922	155,770	9,168	13,309
Transfers Out (Note 30)	(561,192)	(314,122)	(9,618)	-
Notes Issued	3,249	-	-	-
Insurance Recoveries	209	3,380	-	-
Capital Leases Initiated	77	787	-	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	-	3,953	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>115,265</b>	<b>(150,232)</b>	<b>(450)</b>	<b>13,309</b>
<b>Net Change in Fund Balances</b>	<b>(1,461,386)</b>	<b>(413,485)</b>	<b>(32,413)</b>	<b>(95,257)</b>
Fund Balance, July 1, as restated (Note 2)	1,202,919	1,843,596	86,668	293,733
<b>Fund Balance (Deficit), June 30 (Note 3)</b>	<b>\$ (258,467)</b>	<b>\$ 1,430,111</b>	<b>\$ 54,255</b>	<b>\$ 198,476</b>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 88,628	\$ 16,276,101
271,688	888,891
402,435	408,837
19,145	217,751
8,859	8,112,651
380,481	1,100,074
<u>1,171,236</u>	<u>27,004,305</u>
90,702	1,888,698
40,758	9,260,221
5,213	3,703,924
517,451	990,279
639,467	10,763,836
86,946	2,531,234
555,865	611,712
416,460	416,460
207,005	207,005
<u>2,559,867</u>	<u>30,373,369</u>
(1,388,631)	(3,369,064)
719,467	1,570,636
(91,217)	(976,149)
17,885	21,134
4,399	7,988
-	864
645,995	645,995
46,347	46,347
68,203	68,203
37	3,990
(74,361)	(74,361)
<u>1,336,755</u>	<u>1,314,647</u>
(51,876)	(2,054,417)
1,377,318	4,804,234
<u>\$ 1,325,442</u>	<u>\$ 2,749,817</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, 2009  
(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>\$ (2,054,417)</b>
<p>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 decrease by the amount of depreciation expense charged for the year.</p>	
Net Non-Depreciable Capital Assets	116,819
Net Depreciable Capital Assets	1,584,622
Net Depreciation Expense	(614,447)
<p>Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Assets.</p>	
Debt Issuance	(645,995)
Capital Lease Proceeds	(863)
Bond Premiums	(46,347)
Refunding Bonds Issued	(68,203)
Installment Purchase Proceeds	(21,134)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets.</p>	
Debt Service Fund Repayment of Debt Principal	416,460
Repayment of Debt Principal in Other Funds:	
Installment Purchases	17,392
Pollution Remediation Liability	525
Regional Jails	2,634
<p>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.</p>	
	74,361
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	59,390
<p>Increases/decreases of expenses associated with long-term debt reported in the Statement of Activities do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds.</p>	
Increase in Pension Liability	(109,567)
Increase in OPEB Liability	(59,493)
Increase in Other LT Liabilities	(81,984)
Increase in Other Liabilities	(54,008)
Decrease in Compensated Absences	8,504
Decrease in Interest Expense, Amortization of Deferrals on Long-term Debt and accrued interest liability	6,224
<p>Net Decrease in Due to Component Units for Capital and Other Projects resulting from appropriation reductions, which are not reported as expenditures in the fund statements.</p>	
	222,548
<p>The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.</p>	
	(76,046)
<b>Change in net assets of governmental activities (See Government-wide Statement of Activities)</b>	<b>\$ (1,323,025)</b>

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

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# Proprietary Funds

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

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## Major Enterprise Funds

**The 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 193 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 209 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Net Assets – Proprietary Funds**

June 30, 2009

(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)	\$ 5,980	\$ 188,225	\$ 363,952	\$ 198,237
Investments (Notes 1 and 6)	273,825	15,352	-	24,754
Receivables, Net (Notes 1 and 7)	53,104	74,921	70,924	34,370
Due from Other Funds (Note 9)	-	-	980	1,510
Inventory (Note 1)	-	-	-	50,030
Prepaid Items (Note 1)	288	-	-	2,033
Other Assets (Notes 1 and 10)	1	-	-	161
<b>Total Current Assets</b>	<b>333,198</b>	<b>278,498</b>	<b>435,856</b>	<b>311,095</b>
<b>Noncurrent Assets:</b>				
Investments (Notes 1 and 6)	232,102	1,158,686	-	1
Receivables, Net (Notes 1 and 7)	-	218,819	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	2,313
Depreciable Capital Assets, Net (Notes 1 and 12)	7,221	2,975	-	13,231
<b>Total Noncurrent Assets</b>	<b>239,323</b>	<b>1,380,480</b>	<b>-</b>	<b>15,545</b>
<b>Total Assets</b>	<b>572,521</b>	<b>1,658,978</b>	<b>435,856</b>	<b>326,640</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable (Notes 1 and 22)	8,723	2,480	278	34,146
Amounts Due to Other Governments	-	-	16,172	10,110
Due to Other Funds (Note 9)	9,012	26	507	8,515
Interfund Payable (Note 9)	-	-	-	28,537
Unearned Revenue (Note 1)	2,706	-	-	2,091
Obligations Under Securities Lending Program (Notes 1 and 6)	213,231	28,148	-	45,386
Other Liabilities (Notes 1 and 23)	43,922	177	46,625	247
Claims Payable Due Within One Year (Notes 1 and 21)	-	-	-	28,152
Long-term Liabilities Due Within One Year (Notes 1, 19, and 24)	61,968	130,311	-	4,261
<b>Total Current Liabilities</b>	<b>339,562</b>	<b>161,142</b>	<b>63,582</b>	<b>161,445</b>
<b>Noncurrent Liabilities:</b>				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 21)	-	-	-	9,115
Long-term Liabilities Due in More Than One Year (Notes 1, 19, and 24)	237,300	1,783,059	-	22,231
<b>Total Noncurrent Liabilities</b>	<b>237,300</b>	<b>1,783,059</b>	<b>-</b>	<b>31,346</b>
<b>Total Liabilities</b>	<b>576,862</b>	<b>1,944,201</b>	<b>63,582</b>	<b>192,791</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of				
Related Debt	7,221	1,056	-	14,579
Restricted for Unemployment Compensation	-	-	372,087	-
Restricted for Capital Acquisition	-	-	187	-
Unrestricted	(11,562)	(286,279)	-	119,270
<b>Total Net Assets (Deficit) (Note 3)</b>	<b>\$ (4,341)</b>	<b>\$ (285,223)</b>	<b>\$ 372,274</b>	<b>\$ 133,849</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>	
\$ 756,394	\$	522,041
313,931		79,337
233,319		29,247
2,490		40,369
50,030		16,007
2,321		471
162		9,601
<u>1,358,647</u>		<u>697,073</u>
1,390,789		-
218,819		-
2,313		812
<u>23,427</u>		<u>58,643</u>
1,635,348		59,455
<u>2,993,995</u>		<u>756,528</u>
45,627		80,802
26,282		853
<u>18,060</u>		<u>1,021</u>
28,537		852
<u>4,797</u>		<u>68,727</u>
286,765		145,463
<u>90,971</u>		<u>5,531</u>
28,152		167,240
<u>196,540</u>		<u>6,100</u>
725,731		476,589
-		9,892
9,115		346,727
<u>2,042,590</u>		<u>34,676</u>
2,051,705		391,295
<u>2,777,436</u>		<u>867,884</u>
22,856		44,437
372,087		-
187		-
<u>(178,571)</u>		<u>(155,793)</u>
<u>\$ 216,559</u>	<u>\$</u>	<u>(111,356)</u>

(1,050)  
\$ 215,509

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

For the Fiscal Year Ended June 30, 2009

(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	\$ 1,365,605	\$ 130,826	\$ 341,058	\$ 908,946
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	(248,069)	-	-
Other (Note 25)	-	3	-	27,188
Total Operating Revenues	1,365,605	(117,240)	341,058	936,134
<b>Operating Expenses</b>				
Cost of Sales and Services	96,482	-	-	327,332
Prizes and Claims (Note 26)	767,722	-	880,989	218,772
Tuition Benefits Expense	-	103,679	-	-
Personal Services	21,062	5,831	-	102,945
Contractual Services	29,847	4,465	-	58,417
Supplies and Materials	546	110	-	21,794
Depreciation and Amortization (Note 27)	1,874	523	-	6,821
Rent, Insurance, and Other Related Charges	1,612	115	-	25,665
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	50,978
Other (Note 28)	-	423	-	4,622
Total Operating Expenses	919,145	115,146	880,989	817,346
Operating Income (Loss)	446,460	(232,386)	(539,931)	118,788
<b>Nonoperating Revenues (Expenses)</b>				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	4,957	248	27,673	4,578
Other (Note 29)	192	(248)	76,279	(902)
Total Nonoperating Revenues (Expenses)	5,149	-	103,952	3,676
Income (Loss) Before Transfers	451,609	(232,386)	(435,979)	122,464
Transfers In (Note 30)	-	-	-	577
Transfers Out (Note 30)	(452,438)	(201)	(7,808)	(131,456)
Change in Net Assets	(829)	(232,587)	(443,787)	(8,415)
Total Net Assets (Deficit), July 1	(3,512)	(52,636)	816,061	142,264
Total Net Assets (Deficit), June 30 (Note 3)	\$ (4,341)	\$ (285,223)	\$ 372,274	\$ 133,849

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>	
\$ 2,746,435	\$ 1,502,417	
(248,069)	-	
27,191	-	
<u>2,525,557</u>	<u>1,502,417</u>	
423,814	62,307	
1,867,483	1,028,381	
103,679	-	
129,838	54,734	
92,729	324,199	
22,450	9,599	
9,218	14,899	
27,392	70,826	
-	253	
50,978	-	
5,045	16,022	
<u>2,732,626</u>	<u>1,581,220</u>	
(207,069)	(78,803)	
37,456	14,120	
75,321	(8,441)	
<u>112,777</u>	<u>5,679</u>	
(94,292)	(73,124)	
577	1,061	
<u>(591,903)</u>	<u>(4,222)</u>	
(685,618)	(76,285)	
902,177	(35,071)	
<u>\$ 216,559</u>	<u>\$ (111,356)</u>	

(239)  
\$ (685,857)

**Statement of Cash Flows – Proprietary Funds**

For the Fiscal Year Ended June 30, 2009

(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	\$ 1,361,560	\$ 135,220	\$ 335,754	\$ 913,904
Receipts from Investments	-	-	-	1
Internal Activity-Receipts from Other Funds	-	-	4,612	13,591
Internal Activity-Payments to Other Funds	-	(239)	-	(5,652)
Payments to Suppliers for Goods and Services	(96,482)	(1,106)	-	(377,696)
Payments for Contractual Services	(18,963)	(3,871)	-	(57,609)
Payments for Prizes, Claims, and Loss Control (Note 33)	(842,402)	-	(859,920)	(211,443)
Payments for Tuition Benefits	-	(85,317)	-	-
Payments to Employees	(20,175)	(5,277)	-	(101,314)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(46,687)
Other Operating Revenue (Note 33)	-	3	-	5,877
Other Operating Expense (Note 33)	-	(22)	-	(1,243)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>383,538</b>	<b>39,391</b>	<b>(519,554)</b>	<b>131,729</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In From Other Funds	-	-	-	525
Transfers Out to Other Funds	(443,800)	(201)	(7,808)	(287,607)
Other Noncapital Financing Receipt Activities (Note 33)	2,721	-	76,278	184,248
Other Noncapital Financing Disbursement Activities (Note 33)	(5,000)	-	-	(31,579)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(446,079)</b>	<b>(201)</b>	<b>68,470</b>	<b>(134,413)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(2,909)	(958)	-	(237)
Payment of Principal and Interest on Bonds and Notes	-	(428)	-	(817)
Proceeds from Sale of Capital Assets	-	-	-	33
Other Capital and Related Financing Receipt Activities (Note 33)	-	-	-	-
Other Capital and Related Financing Disbursement Activities (Note 33)	-	-	-	-
<b>Net Cash Provided By (Used for) Capital and Related Financing Activities</b>	<b>(2,909)</b>	<b>(1,386)</b>	<b>-</b>	<b>(1,021)</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	(5,734)	(1,637,797)	-	-
Proceeds from Sales or Maturities of Investments	64,701	1,672,490	-	-
Investment Income on Cash, Cash Equivalents, and Investments	2,428	(45,104)	27,673	3,712
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>61,395</b>	<b>(10,411)</b>	<b>27,673</b>	<b>3,712</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(4,055)</b>	<b>27,393</b>	<b>(423,411)</b>	<b>7</b>
<b>Cash and Cash Equivalents, July 1</b>	<b>9,568</b>	<b>148,036</b>	<b>787,363</b>	<b>177,759</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 5,513</b>	<b>\$ 175,429</b>	<b>\$ 363,952</b>	<b>\$ 177,766</b>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 5,980	\$ 188,225	\$ 363,952	\$ 198,237
Cash and Travel Advances	1	-	-	161
Less:				
Securities Lending Cash Equivalents	(468)	(12,796)	-	(20,632)
<b>Cash and Cash Equivalents per the Statement of Cash Flows</b>	<b>\$ 5,513</b>	<b>\$ 175,429</b>	<b>\$ 363,952</b>	<b>\$ 177,766</b>

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

	<b>Governmental Activities</b>	
<b>Total</b>		<b>Internal Service Funds</b>
\$ 2,746,438	\$	1,035,600
1		-
18,203		469,234
(5,891)		(11,573)
(475,284)		(140,240)
(80,443)		(314,198)
(1,913,765)		(964,799)
(85,317)		-
(126,766)		(52,954)
(46,687)		-
5,880		-
(1,265)		(10,657)
<u>35,104</u>		<u>10,413</u>
525		1,061
(739,416)		(4,383)
263,247		954
(36,579)		-
(512,223)		(2,368)
(4,104)		(5,136)
(1,245)		(1,131)
33		575
-		49
-		(632)
(5,316)		(6,275)
(1,643,531)		-
1,737,191		-
(11,291)		12,180
82,369		12,180
(400,066)		13,950
1,122,726		442,069
<u>\$ 722,660</u>	<u>\$</u>	<u>456,019</u>
\$ 756,394	\$	522,041
162		104
(33,896)		(66,126)
<u>\$ 722,660</u>	<u>\$</u>	<u>456,019</u>

Continued on next page

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

For the Fiscal Year Ended June 30, 2009

(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)	\$ 446,460	\$ (232,386)	\$ (539,931)	\$ 118,788
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities</b>				
Depreciation and Amortization	1,874	523	-	6,821
Interest, Dividends, Rents, and Other Investment Income	(19,405)	247,197	-	-
Miscellaneous Nonoperating Income	-	-	-	-
Other Expenses	-	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(4,692)	5,051	(2,833)	690
(Increase) Decrease in Due From Other Funds	-	-	241	1,064
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	-	-	-	(2,425)
(Increase) Decrease in Prepaid Items	333	-	-	(349)
Increase (Decrease) in Accounts Payable	(657)	552	140	(1,770)
Increase (Decrease) in Amounts Due to Other Governments	-	-	7,191	4,951
Increase (Decrease) in Due to Other Funds	20	6	51	(135)
Increase (Decrease) in Due to Component Units	-	-	-	(2,373)
Increase (Decrease) in Interfund Payables	-	-	-	-
Increase (Decrease) in Unearned Revenue	647	-	-	(1,041)
Increase (Decrease) in Other Liabilities	(2,414)	60	15,587	(10)
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	4,177
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	632
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(1,587)	17,528	-	(39)
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(37,041)	860	-	2,748
Net Cash Provided by (Used for) Operating Activities	<u>\$ 383,538</u>	<u>\$ 39,391</u>	<u>\$ (519,554)</u>	<u>\$ 131,729</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the statement of net assets date:				
Capital Assets Transferred from State Agencies	\$ -	\$ -	\$ -	\$ -
New Capital Leases	-	-	-	-
Trade-ins of Used Equipment on New Equipment	-	-	-	-
Change in Fair Value of Investments	-	(203,618)	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ (203,618)</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Governmental Activities	
Total	Internal Service Funds	
\$ (207,069)	\$	(78,803)
9,218		14,899
227,792		-
-		490
-		(3,016)
(1,784)		8,743
1,305		1,151
-		(3,030)
(2,425)		493
(16)		247
(1,735)		22,767
12,142		184
(58)		39
(2,373)		-
-		(242)
(394)		3,823
13,223		(160)
4,177		11,209
632		29,593
15,902		(296)
(33,433)		2,322
<u>\$ 35,104</u>	<u>\$</u>	<u>10,413</u>
\$ -	\$	17,339
-		1,620
-		10
(203,618)		-
-		625
<u>\$ (203,618)</u>	<u>\$</u>	<u>19,594</u>



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# Fiduciary Funds

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## **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 or the Department of Accounts.*

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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 218-219 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 220.

## Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2009

(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)	\$ 101,632	\$ 129,150	\$ 1,600,954	\$ 269,104
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	2	18,628,329	516,641	-
Stocks	206,576	12,100,811	-	-
Fixed Income Commingled Funds	-	1,811,139	-	-
Index and Pooled Funds	261,671	3,893,091	-	-
Real Estate	-	2,834,191	-	-
Private Equity	-	3,794,814	-	-
Mutual and Money Market Funds	21,688,363	-	-	-
Short-term Investments	-	84,493	1,582,299	70,703
Other	183,696	1,884,517	-	334,886
Total Investments	<u>22,340,308</u>	<u>45,031,385</u>	<u>2,098,940</u>	<u>405,589</u>
Receivables, Net (Notes 1 and 7):				
Accounts	19	-	-	148,879
Contributions	-	174,843	-	-
Interest and Dividends	1,086	158,695	3,324	-
Security Transactions	-	1,851,800	-	-
Other Receivables	-	791,892	-	-
Total Receivables	<u>1,105</u>	<u>2,977,230</u>	<u>3,324</u>	<u>148,879</u>
Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	-	-	116
Prepaid Items	174	-	-	-
Furniture and Equipment (Note 1)	-	6,440	-	-
Total Assets	<u>22,443,219</u>	<u>48,144,205</u>	<u>3,703,218</u>	<u>823,688</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses (Notes 1 and 22)	3,725	87,998	-	11,205
Amounts Due to Other Governments	-	-	-	301,102
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	-	27	158
Obligations Under Securities Lending Program (Notes 1 and 6)	877	1,892,090	-	20,726
Other Liabilities (Notes 1 and 23)	206	860,433	-	489,902
Retirement Benefits Payable	-	212,561	-	-
Refunds Payable	-	6,624	-	-
Compensated Absences Payable (Notes 1 and 19)	235	1,851	-	-
Insurance Premiums and Claims Payable	-	48,431	-	595
Payable for Security Transactions	-	2,439,846	-	-
Pension Liability	551	4,920	-	-
Other Post Employment Benefits (OPEB) Liability	90	802	-	-
Total Liabilities	<u>5,684</u>	<u>5,555,556</u>	<u>27</u>	<u>823,688</u>
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool				
Participants, and Other Purposes	<u>\$ 22,437,535</u>	<u>\$ 42,588,649</u>	<u>\$ 3,703,191</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, 2009  
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income (Loss)	\$ (5,627,970)	\$ (11,525,654)	\$ 48,726
Distributions to Shareholders from Net Investment Income	-	-	(48,726)
Total Investment Income (Loss)	(5,627,970)	(11,525,654)	-
Less Investment Expenses	20,737	297,619	-
Net Investment Income (Loss) (Note 1)	(5,648,707)	(11,823,273)	-
Proceeds from Unclaimed Property	117,935	-	-
<b>Contributions:</b>			
Participants	5,173,955	-	-
Member	-	871,378	-
Employer	-	1,588,201	-
Total Contributions	5,173,955	2,459,579	-
Shares Sold	-	-	6,132,742
Reinvested Distributions	-	-	48,795
Other Revenue (Note 25)	3	9,126	-
Total Additions	(356,814)	(9,354,568)	6,181,537
<b>Deductions:</b>			
Loan Servicing Payments	101	-	-
Educational Expense Benefits	1,296,052	-	-
Retirement Benefits	-	2,733,378	-
Refunds to Former Members	-	91,356	-
Retiree Health Insurance Credits	-	115,278	-
Insurance Premiums and Claims	24,141	159,912	-
Trust Payments	617	-	-
Administrative Expenses	25,161	35,203	-
Other Expenses (Note 28)	-	985	-
Shares Redeemed	1,952,182	-	5,967,770
Long-term Disability Benefits	-	28,016	-
Total Deductions	3,298,254	3,164,128	5,967,770
<b>Transfers:</b>			
Transfers In	-	403	-
Transfers Out	-	(403)	-
Total Transfers	-	-	-
Net Increase (Decrease)	(3,655,068)	(12,518,696)	213,767
<b>Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes</b>			
<b>July 1, as restated (Note 2)</b>	26,092,603	55,107,345	3,489,424
<b>June 30</b>	<u>\$ 22,437,535</u>	<u>\$ 42,588,649</u>	<u>\$ 3,703,191</u>

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



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## Component Units

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

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

**The Virginia 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 244-245 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Net Assets – Component Units**

June 30, 2009

(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)	\$ 41,629	\$ 1,085	\$ 330,810	\$ 159,570
Investments (Notes 1 and 6)	-	3,236,803	3,983,093	131,746
Receivables, Net (Notes 1 and 7)	8,201,734	62,820	212,994	92,138
Contributions Receivable, Net (Note 8)	-	-	80,744	67,747
Due from Primary Government (Note 9)	-	-	6,540	1,621
Due from Component Units (Note 9)	-	-	10,556	12,327
Inventory (Note 1)	-	-	21,516	18,844
Prepaid Items (Note 1)	-	-	18,348	11,939
Other Assets (Notes 1 and 10)	44,679	-	21,279	7,363
Loans Receivable from Primary Government (Notes 1 and 9)	-	172,160	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	936,902	94,379	188,332	141,497
Restricted Investments (Notes 6 and 11)	96,775	-	505,120	522,450
Other Restricted Assets (Note 11)	21,130	-	-	9,646
Nondepreciable Capital Assets (Notes 1 and 12)	4,584	-	442,076	217,226
Depreciable Capital Assets, Net (Notes 1 and 12)	19,870	-	2,127,459	922,955
Total Assets	<u>9,367,303</u>	<u>3,567,247</u>	<u>7,948,867</u>	<u>2,317,069</u>
<b>Liabilities</b>				
Accounts Payable (Notes 1 and 22)	4,448	36	235,614	120,917
Amounts Due to Other Governments	-	72,651	-	-
Due to Primary Government (Note 9)	-	-	-	-
Due to Component Units (Note 9)	-	-	533	-
Unearned Revenue (Note 1)	-	-	103,376	44,701
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	-	-
Other Liabilities (Notes 1 and 23)	132,547	63,993	491,504	60,616
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	-
Claims Payable (Notes 1 and 21):				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities (Notes 1, 19, and 24):				
Due Within One Year	469,790	265,777	99,659	49,463
Due in More Than One Year	6,641,105	3,164,641	1,390,417	549,385
Total Liabilities	<u>7,247,890</u>	<u>3,567,098</u>	<u>2,321,103</u>	<u>825,082</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,135	-	1,531,794	732,162
Restricted For:				
Nonexpendable:				
Higher Education	-	-	840,533	306,655
Other	-	-	-	-
Expendable:				
Higher Education	-	-	2,089,314	393,588
Gifts and Grants	-	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Bond Indenture	1,970,640	-	-	-
Other	-	-	-	-
Unrestricted	146,638	149	1,166,123	59,582
Total Net Assets	<u>\$ 2,119,413</u>	<u>\$ 149</u>	<u>\$ 5,627,764</u>	<u>\$ 1,491,987</u>

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

<u>Virginia Commonwealth University</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
\$ 395,193	\$ 910,433	\$ 1,838,720
385,349	720,548	8,457,539
299,085	3,167,723	12,036,494
28,394	131,278	308,163
2,653	45,640	56,454
9,933	56,043	88,859
16,003	25,096	81,459
5,685	62,270	98,242
17,875	76,971	168,167
-	-	172,160
59,633	1,271,520	2,692,263
395,075	2,003,142	3,522,562
14,754	120,146	165,676
155,618	1,839,203	2,658,707
1,204,650	4,882,499	9,157,433
2,989,900	15,312,512	41,502,898
129,653	410,657	901,325
-	6,710	79,361
-	252	252
-	88,326	88,859
37,325	130,058	315,460
11,568	149,872	161,440
94,973	232,181	1,075,814
1,450	22,362	23,812
63,346	-	63,346
42,048	-	42,048
72,202	353,941	1,310,832
776,508	6,912,264	19,434,320
1,229,073	8,306,623	23,496,869
656,535	4,038,982	6,961,608
186,042	822,209	2,155,439
-	92,791	92,791
237,958	616,097	3,336,957
-	14,541	14,541
-	6,990	6,990
-	1,565,958	1,565,958
-	72,693	72,693
-	-	1,970,640
-	50,717	50,717
680,292	(275,089)	1,777,695
\$ 1,760,827	\$ 7,005,889	\$ 18,006,029

**Statement of Activities – Component Units**For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Program Revenues				Net (Expenses) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Virginia Housing Development Authority	\$ 596,807	\$ 542,091	\$ 130,723	\$ -	\$ 76,007
Virginia Public School Authority	164,640	149,937	-	-	(14,703)
Higher Education:					
University of Virginia	2,683,781	1,813,303	56,180	62,690	(751,608)
Virginia Polytechnic Institute & State University	1,095,206	514,938	276,134	36,213	(267,921)
Virginia Commonwealth University	2,296,079	1,906,645	209,646	33,127	(146,661)
Total Higher Education	6,075,066	4,234,886	541,960	132,030	(1,166,190)
Nonmajor Component Units:					
Higher Education	4,073,007	1,648,247	463,089	268,650	(1,693,021)
Other (Note 1)	739,928	504,882	(22,305)	83,698	(173,653)
Total Nonmajor Component Units	4,812,935	2,153,129	440,784	352,348	(1,866,674)
Total Component Units	\$ 11,649,448	\$ 7,080,043	\$ 1,113,467	\$ 484,378	\$ (2,971,560)

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

General Revenues					
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings (Note 1)	Miscellaneous	Tobacco Master Settlement	Contributions to Permanent / Term Endowments
\$ -	\$ -	\$ 1,578	\$ 58	\$ -	\$ -
-	-	1,516	20	-	-
168,187	-	(605,149)	2,739	-	49,212
253,636	3,649	(63,873)	20,252	-	20,892
210,692	6,890	(87,535)	3,208	-	7,593
632,515	10,539	(756,557)	26,199	-	77,697
1,221,637	25,991	(92,241)	23,744	-	41,394
67,639	5,658	45,955	617	13,974	5,768
1,289,276	31,649	(46,286)	24,361	13,974	47,162
\$ 1,921,791	\$ 42,188	\$ (799,749)	\$ 50,638	\$ 13,974	\$ 124,859

Continued on next page

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

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

	Changes in Net Assets	Net Assets July 1 as restated (Note 2)	Net Assets June 30
Virginia Housing Development Authority	\$ 77,643	\$ 2,041,770	\$ 2,119,413
Virginia Public School Authority	(13,167)	13,316	149
Higher Education:			
University of Virginia	(1,136,619)	6,764,383	5,627,764
Virginia Polytechnic Institute & State University	(33,365)	1,525,352	1,491,987
Virginia Commonwealth University	(5,813)	1,766,640	1,760,827
Total Higher Education	<u>(1,175,797)</u>	<u>10,056,375</u>	<u>8,880,578</u>
Nonmajor Component Units:			
Higher Education	(472,496)	4,171,457	3,698,961
Other	(34,042)	3,340,970	3,306,928
Total Nonmajor Component Units	<u>(506,538)</u>	<u>7,512,427</u>	<u>7,005,889</u>
Total Component Units	<u>\$ (1,617,859)</u>	<u>\$ 19,623,888</u>	<u>\$ 18,006,029</u>

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

## Index to the Notes to the Financial Statements

<ul style="list-style-type: none"> <li>1. Summary of Significant Accounting Policies <ul style="list-style-type: none"> <li>A. Basis of Presentation .....72</li> <li>B. Reporting Entity .....72</li> <li>C. Government-wide and Fund Financial Statements .....78</li> <li>D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation .....79</li> <li>E. Budgetary Process .....81</li> <li>F. Cash, Cash Equivalents, and Investments .....81</li> <li>G. Receivables .....82</li> <li>H. Contributions Receivable, Net .....82</li> <li>I. Internal Balances .....82</li> <li>J. Inventory .....82</li> <li>K. Prepaid Items .....83</li> <li>L. Interfund Loans Receivable/Payable .....83</li> <li>M. Other Assets .....83</li> <li>N. Capital Assets .....83</li> <li>O. Accounts Payable .....83</li> <li>P. Unearned and Deferred Revenue .....83</li> <li>Q. Deferred Taxes .....84</li> <li>R. Obligations Under Securities Lending Program .....84</li> <li>S. Other Liabilities .....84</li> <li>T. Claims Payable .....84</li> <li>U. Long-term Liabilities .....84</li> <li>V. Reserved Fund Balances .....85</li> <li>W. Unreserved, Designated Fund Balances .....85</li> <li>X. Unreserved, Undesignated Fund Balances .....85</li> <li>Y. Cash Management Improvement Act .....85</li> <li>Z. Investment Income .....85</li> <li>AA. Intrafund Eliminations .....85</li> <li>BB. Interfund Activity .....85</li> </ul> </li> <li>2. Restatement of Beginning Balances .....85</li> <li>3. Deficit Fund Balances/Net Assets .....87</li> <li>4. General Fund Analysis – Basis of Budgeting .....87</li> <li>5. Revenue Stabilization Fund .....88</li> <li>6. Cash, Cash Equivalents, and Investments .....88</li> <li>7. Receivables .....98</li> <li>8. Contributions Receivable, Net .....100</li> <li>9. Interfund and Inter-Entity Assets/Liabilities .....100</li> <li>10. Other Assets .....104</li> <li>11. Restricted Assets .....104</li> <li>12. Capital Assets .....105</li> <li>13. Retirement and Pension Systems <ul style="list-style-type: none"> <li>A. Administration .....108</li> <li>B. Summary of Significant Accounting Policies (Virginia Retirement System) .....108</li> <li>C. Plan Description .....108</li> <li>D. Funding Policy .....109</li> <li>E. Annual Pension Cost and Net Pension Obligation .....110</li> <li>F. Funded Status and Funding Progress .....111</li> <li>G. Defined Contribution Plan for Political Appointees .....112</li> <li>H. Defined Contribution Plan for Public School Superintendents .....112</li> <li>I. Virginia Supplemental Retirement Plan .....112</li> <li>J. Higher Education Fund (Component Unit) .....112</li> <li>K. Other Component Units .....113</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>14. Other Employment Benefits ..... 116</li> <li>15. Other Post-Employment Benefits (OPEB) <ul style="list-style-type: none"> <li>A. Virginia Retirement System (The System) Administered Plans ..... 118</li> <li>B. Other Plans ..... 118</li> <li>C. Annual OPEB Cost and Net OPEB Obligation ..... 119</li> <li>D. Funded Status and Funding Progress ..... 121</li> <li>E. Higher Education Fund (Component Unit) ..... 122</li> <li>F. Other Component Units ..... 122</li> </ul> </li> <li>16. Deferred Compensation Plans ..... 122</li> <li>17. State Non-Arbitrage Pool ..... 123</li> <li>18. Commitments <ul style="list-style-type: none"> <li>A. Construction Projects ..... 123</li> <li>B. Operating Leases ..... 124</li> <li>C. Investment Commitments – Virginia Retirement System ..... 124</li> <li>D. Tobacco Grants ..... 124</li> <li>E. Other Commitments ..... 124</li> </ul> </li> <li>19. Accrued Liability for Compensated Absences ..... 125</li> <li>20. Pollution Remediation Obligations ..... 125</li> <li>21. Insurance <ul style="list-style-type: none"> <li>A. Self-Insurance ..... 126</li> <li>B. Public Entity Risk Pools ..... 127</li> </ul> </li> <li>22. Accounts Payable ..... 129</li> <li>23. Other Liabilities ..... 130</li> <li>24. Long-Term Liabilities ..... 132</li> <li>25. Other Revenue ..... 151</li> <li>26. Prizes and Claims ..... 152</li> <li>27. Depreciation and Amortization ..... 152</li> <li>28. Other Expenses ..... 153</li> <li>29. Other Non-Operating Revenue/Expenses ..... 153</li> <li>30. Transfers ..... 154</li> <li>31. On-Behalf Payments ..... 154</li> <li>32. Endowments ..... 154</li> <li>33. Cash Flows – Additional Detailed Information ..... 156</li> <li>34. Tobacco Settlement and Securitization ..... 158</li> <li>35. Information Technology Infrastructure Partnership – Northrop Grumman ..... 158</li> <li>36. Contingencies <ul style="list-style-type: none"> <li>A. Grants and Contracts ..... 159</li> <li>B. Litigation ..... 159</li> <li>C. Subject to Appropriation ..... 159</li> <li>D. Bailment Inventory ..... 159</li> <li>E. Loan Guarantees ..... 159</li> </ul> </li> <li>37. Subsequent Events ..... 160</li> </ul>
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# Notes to the Financial Statements

June 30, 2009

## 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. The Commonwealth's only blended component unit is:

**Virginia Public Building Authority (VPBA)** (nonmajor governmental fund) – The Authority was created as a body politic and corporate and is fiscally independent. A government instrumentality, the Authority finances the acquisition and construction of buildings for the use of the Commonwealth and other approved purposes. The Governor appoints the 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 23218-1879.

**(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 non-profit charitable organizations and exist solely to support the Commonwealth's higher education institutions, museums, and the Library of Virginia. The higher education institution non-profit 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 non-profit 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 Primary Government of approximately \$1.85 billion 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, Roanoke Higher Education Authority, Institute for Advanced Learning and Research, Southern Virginia Higher Education Center, and 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 23219-3638.

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

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

**Virginia 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 political 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. Goodman and Company, LLP, audits the Foundation, and a separate report is issued.

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

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

**Virginia 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, Suite 501, 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 Avenue, Virginia Beach, Virginia 23455. KPMG, LLP, audits the Commission, and a separate report is issued.

**Virginia Biotechnology Research Partnership Authority** (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in the

development of a biotechnology research park. The Governor appoints the board members of the Authority, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 800 East Leigh Street, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia 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 School 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 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, 25th Floor, 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,

Post Office Box 11624, Richmond, Virginia 23230. Cherry, Bekaert, & Holland, LLP, audits the Foundation, and a separate report is issued.

**Virginia Commercial Space Flight Authority (VCSFA)** (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. The VCSFA became a discrete component unit of the Commonwealth in fiscal year 2009 because of the significant increase in debt for the Authority of \$16 million. This increase in debt places a financial burden on the Commonwealth, changing the relationship from a related organization to a discrete component unit. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 201, Norfolk, VA 23508. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Danville Science Center, Inc.** (nonmajor) – The Center is non-profit 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 Center are located at 657 Craghead Street, Post Office Box 167, Danville, Virginia 24541. Goodman and Company, LLP, audits the Center, 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 200 North Boulevard, Richmond, Virginia 23220. Goodman and Company, 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 24115-5311. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

**Virginia Horse Center Foundation** (nonmajor) – The Foundation operates the Virginia Horse Center for the benefit of the equine and tourism industries. The Foundation is a discrete component unit of the Commonwealth due to the limited ability of the Foundation to incur additional debt without the Commonwealth's approval. In addition, the Governor appoints one member of the Foundation's board of directors, and this member must approve any changes to the Foundation's by-laws or conveyance of property. The address for the administrative offices of the Foundation is 487 Maury River Road, Lexington, Virginia 24450. The accounting firm of Raetz and Hawkins, P.C., audits the Foundation, and a separate report is issued.

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

**Fort Monroe Federal Area Development Authority** (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in formulating a reuse plan for Fort Monroe. The Governor appoints a majority of the 18-member board and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at Old Quarters #1, 151 Bernard Road, Fort Monroe, Virginia 23651. Creedle, Jones & Alga, PC, audits the Authority, and a separate report is issued.

**Assistive Technology Loan Fund Authority** (nonmajor) – The Authority was created as a political subdivision and public body corporate by the *Code of Virginia*. The Governor appoints the board of directors as directed by the *Code*. The Authority manages a fund to provide loans to individuals to acquire assistive technology, other equipment, or other authorized purposes designed to help disabled individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 107, 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, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia Sesquicentennial of the American Civil War Commission** (nonmajor) – The Commission was established to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War. The Commission was formed under the Virginia Nonstock Corporation Act. The economic resources received or held by the Commission are entirely or almost entirely for the direct benefit of the primary government. The administrative offices are located at 910 Capitol Street, Richmond, VA 23219. Brown, Edwards & Company, LLP, audits the Authority, and a separate report is issued.

**Virginia Land Conservation Foundation** (nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (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 302, 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, Virginia 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, non-profit 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 Library of Virginia. The Foundation is governed by a separate board of directors and promotes and supports the Library of Virginia in all activities. The administrative offices of the Foundation are located at 800 East Broad Street, Richmond, Virginia 23219. Barcalow & Hart, PLLC, 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. In addition, the Authority serves to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor appoints the 13-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia 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 23218-1879.

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the financial statements. The state-supported colleges and universities reported revenue from the Authority of \$345.9 million as Program Revenue Capital Grants and Contributions for the 21<sup>st</sup> Century Program and \$58.4 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 \$532.5 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, Post Office Box 1879 Richmond, Virginia 23218-1879. PBGH, LLP audits the Corporation, and a separate report is issued.

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

**Jamestown-Yorktown Foundation, Inc.** – The non-profit corporation was created by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The corporation board consists of five members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Corporation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments. The administrative offices of the Corporation are located at 2207 Colonial Parkway, Post Office Box 3605, Williamsburg, Virginia 23187. Cherry, Bekaert & Holland, LLP, audits the Corporation, and a separate report is issued.

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

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

Bekaert, & Holland, LLP, audits the Program, and a separate report is issued.

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

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

The Government-wide Financial Statements, the Statement of Net 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), Department of Alcoholic Beverage Control (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 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), Department of Alcoholic Beverage Control (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 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 December 31<sup>st</sup> or March 31<sup>st</sup> year-end rather than a fiscal year-end. Foundations (component units) with different year-ends are included in these financial statements for the year ending December 31, 2008 or March 31, 2009. 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 \$78.1 million and liabilities of \$73.2 million, and foundation assets of \$62.7 million and liabilities of \$77.1 million. Longwood University (nonmajor component unit) reported the following intrafund balances that could not be eliminated because of differing year-ends: institution expenditures of \$2.7 million and foundation revenues of \$6.2 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 remain 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 Commonwealth, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary (major) – Special Revenue 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, 2009, the General Fund had a negative cash balance of \$3.9 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the primary government's cash equivalents and investments (see Note 6).

### Cash Equivalents

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

### Investments

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

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

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

their earnings (losses) for the period is included in investment income using the equity method.

Investments of higher education institutions (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 contribution receivables. 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, loan receivables, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 7).

### **H. Contributions Receivable, Net**

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

### **I. Internal Balances**

Interfund receivables and payables have been eliminated from the Statement of Net 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), 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.

In addition to inventories maintained as stated above, the following agencies reported donated inventory on hand at June 30, 2009:

- Department of Agriculture and Consumer Services (VDACS)
- Department of Health (VDH)
- Department of Corrections (DOC)
- Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)
- Department of Juvenile Justice (DJJ)

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 unit cost methodology.

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

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

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

The primary government capitalizes construction-in-progress when project expenditures 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 agencies, business-type entities, and component units 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 includes payments for nonexchange transactions that met eligibility requirements prior to year-end (see Note 22).

## P. Unearned and Deferred Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2009. 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, 2009. In the Special

Revenue Funds, unearned revenue is composed primarily of federal grant money received but not spent. 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 2009. 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 \$729,190,360 and estimated underpayments total \$529,882,256. This results in deferred taxes of \$199,308,104.

Corporate income tax estimated overpayments total \$42,958,430 and estimated underpayments total \$59,470,376. 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 23).

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 2009, 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 \$66.7 million. Also, the University of Virginia (major component unit) reports \$56.4 million and the Virginia Polytechnic Institute and State University (major component unit) reports \$20.8 million of commercial paper that provides bridge financing for capital projects. The Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit) reports short-term debt of \$13.5 million to meet certain cash reserve requirements. The Virginia Horse Center Foundation (nonmajor component unit) reported a \$60,000 short-term note with a related party. The Virginia Port Authority (nonmajor component unit) reported a \$65.9 million short-term Port Facilities Bond Anticipation Note Series 2009.

#### **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, 2009. 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 21.A. and 21.B.). Claims payable reported by the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit) represents estimated malpractice, workers' compensation, and medical claims payable amounts.

#### **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 that represent payments to employees for separations that occurred prior to June 30. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 24).

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 24).

#### **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 March 31, 2010. Payment will be made from a sum

sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the average of the bond equivalent rates of 13-week Treasury Bills auctioned during the annual reporting period as calculated by FMS.

#### **Z. Investment Income**

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

#### **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:**

- The Commonwealth implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for the fiscal year ending June 30, 2009, which resulted in a restatement of pollution remediation liabilities of \$2.9 million.
- Capital Asset balances were restated by \$21.3 million regarding the understatement of capital assets due primarily to various agencies not recording assets at the time of acquisition.

- State Corporation Commission balances were restated due to prior years errors resulting in a \$41.3 million understatement of accrued liabilities and a \$12.9 million overstatement of accrued receivables.

#### COMPONENT UNITS

- The Belmont Bay Science Center Foundation modified its organizational structure during fiscal year 2009 and is no longer a component unit of the Commonwealth.
- The Commercial Space Flight Authority received significant bond proceeds from the Commonwealth during fiscal year 2009, and accordingly, now meets the component unit reporting criterion.

- The College of William and Mary's beginning balance has been restated by \$11.7 million to correct prior year errors primarily related to capital assets and other accruals.

#### FUND STATEMENTS

The fund statement beginning balance restatements resulted from the following:

- The Nonmajor Special Revenue funds were restated due to a \$12.9 million overstatement of accrued receivables.
- The Private Purpose Funds were restated by \$21.5 million due to the omission of the Gas and Oil Board Escrow Account in prior years.

#### Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2008	GASBS No. 49 Pollution Remediation	Correction of Prior Year Errors	Change in Reporting Entity	Balance June 30, 2008 as restated
<b>Government-wide Activities:</b>					
Primary Government:					
Governmental Activities	\$ 17,433,955	\$ (2,997)	\$ (32,822)	\$ -	\$ 17,398,136
Business-type Activities	901,366	-	-	-	901,366
Total Primary Government	<u>\$ 18,335,321</u>	<u>\$ (2,997)</u>	<u>\$ (32,822)</u>	<u>\$ -</u>	<u>\$ 18,299,502</u>
Component Units	<u>\$ 19,634,328</u>	<u>\$ -</u>	<u>\$ (11,736)</u>	<u>\$ 1,296</u>	<u>\$ 19,623,888</u>
<b>Fund Statements - Governmental Funds</b>					
General	\$ 1,202,919	\$ -	\$ -	\$ -	\$ 1,202,919
Special Revenue Funds:					
Commonwealth Transportation	1,843,596	-	-	-	1,843,596
Federal Trust	86,668	-	-	-	86,668
Literary	293,733	-	-	-	293,733
Nonmajor Governmental	1,390,171	-	(12,853)	-	1,377,318
Total Governmental	<u>\$ 4,817,087</u>	<u>\$ -</u>	<u>\$ (12,853)</u>	<u>\$ -</u>	<u>\$ 4,804,234</u>
<b>Fund Statements - Fiduciary Funds</b>					
Private Purpose Funds	<u>\$ 26,071,085</u>	<u>\$ -</u>	<u>\$ 21,518</u>	<u>\$ -</u>	<u>\$ 26,092,603</u>
Pension Trust Funds	<u>\$ 55,107,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,107,345</u>
Investment Trust Funds	<u>\$ 3,489,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,489,424</u>
<b>Fund Statements - Component Units:</b>					
Virginia Housing Development Authority	\$ 2,041,770	\$ -	\$ -	\$ -	\$ 2,041,770
Virginia Public School Authority	13,316	-	-	-	13,316
University of Virginia	6,764,383	-	-	-	6,764,383
Virginia Polytechnic Institute and State University	1,525,352	-	-	-	1,525,352
Virginia Commonwealth University	1,766,640	-	-	-	1,766,640
Nonmajor Component Units	7,522,867	-	(11,736)	1,296	7,512,427
Total Component Units	<u>\$ 19,634,328</u>	<u>\$ -</u>	<u>\$ (11,736)</u>	<u>\$ 1,296</u>	<u>\$ 19,623,888</u>

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

The General Fund ended fiscal year 2009 with a deficit fund balance of \$258.5 million on a modified accrual basis of accounting. This is due primarily to a significant decline in revenues resulting from the slowing economy as well as the effects of accrual items. These accruals generally result in decreases to fund balance and are similar in nature and amount to previous years.

The State Lottery (major enterprise fund) and Department of Alcoholic Beverage Control (nonmajor enterprise fund) ended the year with deficit net assets of \$4.3 million and \$12.6 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* and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Virginia College Savings Plan (major enterprise fund) ended the year with a deficit net assets balance of \$285.2 million. This decrease is mostly attributable to the projected unfunded actuarial liability calculated by the plan's actuary. The change in the projected tuition benefits payable liability is mostly attributable to investment losses and a change in the tuition growth

assumption, offset somewhat by revenue from new contract sales.

The Library of Virginia (nonmajor enterprise fund) ended the year with a deficit net assets balance of \$279,293. This is attributable to operating expenses exceeding revenues.

The Property Management Fund (internal service fund) ended the year with a deficit net assets balance of \$12.1 million. This deficit was the result of the purchase of a leasehold interest in a state-owned building in fiscal year 2006. Also, the Property Management Fund incurred additional capital lease liabilities due to transfers of leases from other state agencies.

The Risk Management Fund (internal service fund) ended the year with a deficit net assets balance of \$328.4 million. The deficit was the result of the Worker's Compensation Program having estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Virginia College Building Authority (nonmajor component unit) ended the year with a deficit net assets balance of \$1.15 billion. 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.

**Reservations and Designations of Fund Balance  
General Fund, Basis of Budgeting  
June 30, 2009**

*(Dollars in Thousands)*

<hr/>		
Reserved Fund Balance:		
Revenue Stabilization Reserve Fund	\$ 575,064	
Payroll Reserve for July 1, 2009 Payroll	86,461	
Lottery Proceeds Fund	964	
Total Reserved Fund Balance		662,489
Unreserved Fund Balance:		
Designated:		
Amount Required for Reappropriation of 2009		
Unexpended Balances for Capital Outlay	10,805	
Central Capital Planning Fund	12,136	
Natural Disaster Sum Sufficient	14,184	
Amount Required by Chapter 781	51,769	
Amount Required for Mandatory Appropriation	72,092	
Total Designated Fund Balance		160,986
Fund Balance, June 30, 2009		\$ 823,475

## 5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. During fiscal year 2009, in accordance with the provisions of Article X, Section 8 of the *Constitution* and Section 2.2-1830 of the *Code of Virginia*, a withdrawal of \$490 million was made from the fund.

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. A deposit is not required based on fiscal year 2009 revenue collections when revenue increases from tax reform were included or excluded, including those derived from estimates.

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 2009.

The Revenue Stabilization Fund has principal and interest on deposit of \$575 million reserved as a part of General Fund balance. 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 \$1.38 billion for fiscal year 2009 and fiscal year 2010.

## 6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2009, the carrying amount of cash for the primary government was \$3,301,748,507 and the bank balance was \$235,669,065. The carrying amount of cash for component units was \$925,400,300 and the bank balance was \$370,511,318. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled \$483,836,983 as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note.

For purposes of this note, primary government includes governmental, business-type activities, and fiduciary funds. The deposits of the primary government and the component units, excluding foundations (component units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50 percent to 100 percent of public deposits in the case of a bank and 100 percent to 110 percent for a savings institution. During the fiscal year, there was an unrealized loss of \$12.6 billion and \$6.4 billion attributable to Virginia Retirement

System (the System) and the Virginia College Savings Plan, respectively. In addition, the Treasurer's Portfolio reported an unrealized loss of \$75.0 million consisting of an unrealized loss of \$82.0 million in securities lending which is offset by an unrealized gain of \$7.0 million in other investments. As stated in Note 1.Z., unrealized gains or losses for the Treasurer's Portfolio are recorded in the General Fund.

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
- Municipal securities
- AAA rated obligations of foreign governments
- Bankers' acceptances and bank notes
- Negotiable certificates of deposit
- Repurchase agreements
- Money market funds

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

Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities

are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing, and reinvestment risks of these securities.

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

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

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

### **Custodial Risk**

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

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

As of June 30, 2009, the primary government had \$483,513,624 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The System had \$478,383,000 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 System's name. Investments held by broker-dealers under securities loan for common and preferred stocks represented \$396,256,000 and U.S. Treasury and agency securities represented \$1,086,000 of the total. The remainder was for various types of debt and equity securities. The component units had \$2,442,065 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. U.S. Treasury and agency securities represented \$1,164,480 and common and preferred stocks represented \$722,460 of the total and the remainder was for various types of debt and equity securities.

As of June 30, 2009, the investments of the Pension and Other Employee Benefit Trust Funds were approximately 55 percent of the primary government investments, and 99 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 System manages the risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies, to a much greater degree, the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the System's fixed income portfolios are managed in accordance with the System's investment guidelines, most of which are specific as to the degree of interest rate risk that can be taken.

At June 30, 2009, the Commonwealth had the following investments and maturities:

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

<u>Investment Type</u>	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
<u>Debt Securities</u>					
U. S. Treasury and Agency Securities	\$ 2,092,131	\$ 624,731	\$ 980,767	\$ 296,939	\$ 189,694
Corporate Notes	11,373,787	6,893,638	2,671,378	1,357,713	451,058
Corporate Bonds	3,367,827	1,815,182	1,152,618	304,975	95,052
Corporate Mortgage-Backed Securities	151,941	-	28,923	1,942	121,076
Commercial Paper	407,492	407,492	-	-	-
Negotiable Certificates of Deposit	25,028	25,023	5	-	-
Non-negotiable Certificates of Deposit	446,364	446,021	343	-	-
Reverse Repurchase Agreements	675,574	675,574	-	-	-
Repurchase Agreements	801,123	801,123	-	-	-
Municipal Securities	205,816	26,575	54,364	24,519	100,358
Asset-Backed Securities	1,298,437	422,084	452,394	42,758	381,201
Agency Mortgage-Backed Securities	2,782,119	206,485	2,165,840	121,469	288,325
Agency Unsecured Bonds and Notes	4,143,523	2,173,193	1,887,566	71,339	11,425
Mutual and Money Market Funds (Includes SNAP)	3,532,262	3,532,106	156	-	-
The Boston Company Pooled Employee Trust Fund	5,671	5,671	-	-	-
Guaranteed Investment Contracts	236,246	-	236,246	-	-
Fixed Income and Commingled Funds	1,825,088	61,060	1,625,166	138,862	-
Deposits with the U.S. Treasury for Unemployment Compensation	363,455	363,455	-	-	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	745,117	81,831	304,860	266,681	91,745
Corporate Notes	197,753	9,871	103,153	72,954	11,775
Corporate Bonds	12,735	631	6,771	4,306	1,027
Other	893,164	437,717	253,091	120,997	81,359
<b>Total</b>	<b>\$ 35,582,653</b>	<b>\$ 19,009,463</b>	<b>\$ 11,923,641</b>	<b>\$ 2,825,454</b>	<b>\$ 1,824,095</b>

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

<u>Investment Type</u>	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
<u>Debt Securities</u>					
U. S. Treasury and Agency Securities	\$ 506,535	\$ 280,001	\$ 86,900	\$ 44,593	\$ 95,041
Corporate Notes	56,932	11,937	36,369	6,618	2,008
Corporate Bonds	194,340	16,404	136,720	38,083	3,133
Corporate Mortgage Backed Securities	13,794	-	-	-	13,794
Commercial Paper	26,867	26,867	-	-	-
Negotiable Certificates of Deposit	213,617	211,373	2,244	-	-
Non-negotiable Certificates of Deposit	14,546	14,546	-	-	-
Repurchase Agreements	93,780	93,780	-	-	-
Municipal Securities	3,590,980	11,630	134,638	79,702	3,365,010
Asset Backed Securities	138,720	20,872	29,729	9,791	78,328
Agency Unsecured Bonds and Notes	135,519	79,766	53,690	2,063	-
Agency Mortgage Backed	189,418	6,665	26,053	8,811	147,889
Mutual and Money Market Funds (Includes SNAP)	1,966,444	1,907,367	42,144	14,899	2,034
Guaranteed Investment Contracts	245,998	-	36,206	-	209,792
Other	123,697	122,989	546	-	162
<b>Total</b>	<b>\$ 7,511,187</b>	<b>\$ 2,804,197</b>	<b>\$ 585,239</b>	<b>\$ 204,560</b>	<b>\$ 3,917,191</b>

**Foundation Investments**

*(Dollars in Thousands)*

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury and Agency Securities	\$ 642,971
Common & Preferred Stocks	1,334,304
Corporate Notes	11,729
Corporate Bonds	197,057
Commercial Paper	81,992
Negotiable Certificates of Deposit	17,705
Municipal Securities	3,695
Asset Backed Securities	4,227
Agency Mortgage Backed	7,794
Agency Unsecured Bonds and Notes	17,371
Mutual Funds	768,805
Real Estate	197,997
Index Funds	17,184
Hedge Funds	1,006,472
Partnerships and Other Joint Ventures	1,474,315
Others	761,732
Total	<u>\$ 6,545,350</u>

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

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Treasurer 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 ten 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). Busted convertibles must be liquidated prior to conversion to equity. Also, to avoid holding 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, 2009. 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 76.1 percent of the total debt securities, 12.7 percent of which were invested in corporate notes rated Aaa by Moody's. Within the component units, the investments presented in the table represented 88.8 percent of the total debt securities, 43.1 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 section of this 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)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Corporate Notes	\$ 4,533,803	Moody's	Aaa	12.74%
Agency Unsecured Bonds and Notes	3,483,912	Standard & Poor's	AAA	9.79%
Mutual and Money Market Funds (Include SNAP)	3,064,066	Standard & Poor's	AAA	8.61%
Agency Mortgage Backed Securities	2,416,156	N/A	N/A	6.79%
Corporate Bonds	2,225,807	Moody's	NR	6.26%
U. S. Treasury and Agency Securities	2,092,131	N/A	N/A	5.88%
Fixed Income and Commingled Funds	844,443	Moody's	Baa	2.37%
Asset Backed Securities	820,056	Standard & Poor's	AAA	2.30%
Investments held by broker-dealers under securities loans (U.S. Government and Agency Securities)	744,401	N/A	N/A	2.09%
Corporate Notes	681,288	Moody's	A2	1.91%
Reverse Repurchase Agreements	675,574	Moody's	NR	1.90%
Corporate Notes	614,192	Moody's	Ba3	1.73%
Corporate Notes	613,403	Moody's	A3	1.72%
Corporate Notes	597,604	Moody's	Baa2	1.68%
Fixed Income and Commingled Funds	591,254	Moody's	Aaa	1.66%
Repurchase Agreements	579,667	Standard & Poor's	A-1	1.63%
Corporate Notes	576,847	Moody's	Baa1	1.62%
Corporate Notes	573,478	Moody's	A1	1.61%
Corporate Notes	534,883	Moody's	B1	1.50%
Corporate Bonds	407,903	Moody's	Baa3	1.15%
Commercial Paper	407,492	Moody's	P-1	1.15%

### Credit Rating - Component Units

(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Municipal Securities	\$ 3,238,990	N/A	N/A	43.12%
Mutual and Money Market Funds (Include SNAP)	913,968	Standard & Poor's	AAA	12.17%
Mutual and Money Market Funds (Include SNAP)	812,812	Moody's	P-1	10.82%
U. S. Treasury and Agency Securities	506,535	N/A	N/A	6.74%
Negotiable Certificates of Deposit	213,617	N/A	N/A	2.84%
Mutual and Money Market Funds (include SNAP)	185,386	N/A	N/A	2.47%
Municipal Securities	166,231	Standard & Poor's	AAA	2.21%
Agency Mortgage Backed Securities	144,840	Standard & Poor's	AAA	1.93%
Guaranteed Investment Contracts	131,091	Standard & Poor's	AAA	1.75%
Other Debt Securities	122,989	Moody's	Aaa	1.64%
Repurchase Agreements	90,546	N/A	N/A	1.21%
Guaranteed Investment Contracts	74,618	Standard & Poor's	AA+	0.99%
Municipal Securities	66,693	Standard & Poor's	AA	0.89%

#### 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 five percent of the total market value of its investments. In addition, the Treasury and the System have individual investment policies limiting the amounts that may be invested in any single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than five 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 System investment guidelines for each specific portfolio also limit investments in any corporate entity to no more than five 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 five 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 System portfolio at June 30, 2009.

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

**Currency Exposures by Asset Class**

*(Dollars in Thousands)*

Currency	Cash & Cash	Equity	Corporate Bonds	Private Equity	Real Estate	International	Total
	Equivalents					Funds	
Euro Currency Unit	\$ 17,660	\$ 213,597	\$ 1,095	\$ 543,766	\$ 22,061	\$ -	\$ 798,179
U. S. Dollar	15,796	-	-	-	-	682,089	697,885
Australian Dollar	3,589	487,998	-	-	20,651	-	512,238
Japanese Yen	5,594	368,645	(6,644)	-	50,749	-	418,344
Hong Kong Dollar	3,820	333,322	-	-	55,575	-	392,717
British Pound Sterling	4,860	333,049	3,818	2,345	10,015	-	354,087
South Korean Won	1,608	231,516	-	-	-	-	233,124
New Taiwan Dollar	12,120	213,006	-	-	-	-	225,126
Indian Rupee	1,267	165,894	-	-	-	-	167,161
Brazil Real	5,522	159,289	(74)	-	1,794	-	166,531
Canadian Dollar	2,049	135,723	(842)	-	1,404	-	138,334
S African Comm Rand	6,846	110,011	-	-	-	-	116,857
Mexican New Peso	371	76,223	8,355	-	-	-	84,949
Norwegian Krone	1,863	75,669	1,162	-	-	-	78,694
Thailand Baht	86	76,726	-	-	-	-	76,812
New Turkish Lira	4,091	57,988	-	-	-	-	62,079
New Zealand Dollar	197	49,255	7,448	-	-	-	56,900
Malaysian Ringgit	2,514	43,329	-	-	-	-	45,843
Singapore Dollar	1,086	32,973	-	-	7,137	-	41,196
Indonesian Rupian	345	23,434	-	-	-	-	23,779
Polish Zloty	593	21,452	-	-	-	-	22,045
Egyptian Pound	36	19,702	-	-	-	-	19,738
Israeli Shekel	548	12,478	-	-	-	-	13,026
Czech Koruna	533	9,724	-	-	-	-	10,257
Turkish Lira	7,189	-	-	-	-	-	7,189
Hungarian Forint	379	6,585	-	-	-	-	6,964
Danish Krone	386	4,074	-	-	-	-	4,460
Philippines Peso	855	3,387	-	-	-	-	4,242
Moroccan Dirham	43	1,515	-	-	-	-	1,558
Omani Rial	197	1,170	-	-	-	-	1,367
Pakistan Rupee	-	746	-	-	-	-	746
Chinese Yuan Renminbi	-	140	-	-	-	-	140
Russian Rubel (New)	3	-	-	-	-	-	3
Romanian Leu	3	-	-	-	-	-	3
Swedish Krona	1,735	(39,005)	-	1,707	1,588	-	(33,975)
Swiss Franc	3,109	(86,632)	-	-	1,841	-	(81,682)
<b>Total</b>	<b>\$ 106,893</b>	<b>\$ 3,142,983</b>	<b>\$ 14,318</b>	<b>\$ 547,818</b>	<b>\$ 172,815</b>	<b>\$ 682,089</b>	<b>\$ 4,666,916</b>

## Securities Lending

The State Treasury's securities lending program is managed by Dresdner Kleinwort a brand of Commerzbank AG (Dresdner Kleinwort), 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 loans with the right of substitution. Per the contract with Dresdner Kleinwort, all cash reinvestment securities attributable to loans made on the Commonwealth's behalf shall be maintained by Dresdner Kleinwort, and Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Dresdner Kleinwort 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 Kleinwort AG is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default during 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 restricts the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 35 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, 2009, all collateral received was in the form of cash.

Securities loaned for the Treasurer's cash collateral reinvestment pool, which consisted of 89.2 percent general account funds and 10.8 percent State Lottery funds as of June 30, 2009, had a carrying value of \$2,006,197,809 and a fair value of \$2,030,541,129. The fair value of the collateral received was \$2,050,221,232 providing for coverage of 100.97 percent. As a result, the State Treasury assumes no credit risk on securities loaned. The carrying value of the cash collateral reinvestment pool received was \$2,050,237,583 and the fair value of the investments purchased with the cash collateral was \$1,968,179,404. As of June 30, 2009, the Treasurer's cash collateral reinvestment pool had an

unrealized loss of \$82.0 million, and is recorded in the General Fund as stated in Note 1.Z. This amount is included in the total Treasurer's Portfolio discussed earlier in this note.

Current cash reinvestment guidelines allow for a maximum weighted-average portfolio maturity of up to 60 days. At June 30, 2009, the cash reinvestment portfolio had a weighted average maturity of 17 days using the next interest reset date as the maturity date for floating rate securities. Using the expected maturity date, the weighted average maturity was 383 days and using the final maturity date, which assumes no pay downs on any asset-backed or mortgage-backed securities, the weighted average maturity was in excess of seven years.

Treasury's current cash reinvestment guidelines allow for investment in government securities, AAA rated sovereign governments, asset-backed (including mortgage-backed) securities, commercial paper and corporate notes, negotiable certificates of deposit, liquid master notes and promissory notes, bank notes, repurchase agreements and registered money market funds. At June 30, 2009, the majority of cash reinvestments were in overnight indemnified repurchase agreements, asset-backed (including mortgage-backed) floating rate securities and corporate floating rate notes. In order to ensure adequate liquidity and to reduce the reinvestment portfolio risk profile, all cash reinvestments made since August 2007 have been in overnight or very short-term indemnified repurchase agreements.

At June 30, 2009, \$84 million or 4.1 percent of the total cash reinvestment portfolio was out of compliance with Treasury's securities lending cash collateral investment guidelines due to various security ratings downgrades during the past two years. Included in these out of compliance securities are \$8.6 million or 0.4 percent of the total cash reinvestment portfolio that are in default. It is not known at this time what the recovery rate will be on this security. Approximately 89.2 percent of these out of compliance securities are part of the general account portion of the securities lending program and the other 10.8 percent is the State Lottery's portion of the securities lending program. The Commonwealth regularly evaluates these positions to determine the most beneficial course of action going forward.

Under authorization of the Board of Trustees, the Virginia Retirement System (the System) lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a market value equal to at least 102 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 System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent and related distributions, and if the collateral is inadequate to replace the securities lent. All securities

loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 36 days. At year-end, the System 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, 2009, was \$2,536,121,000. The June 30, 2009, balance was composed of U.S. Government and agency securities of \$744,402,000, corporate and other bonds of \$209,435,000 and common and preferred stocks of \$1,582,284,000. The value of collateral (cash and non-cash) at June 30, 2009, was \$2,642,711,000.

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.

### **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 System 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 System 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 System's pro rata share of the contractual or notional amounts of outstanding derivative transactions in commingled investment funds and their related security lending programs approximated \$166,268,000 at June 30, 2009.

The University of Virginia (major component unit) 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 nonperformance 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, 2009.

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

Forward, futures, and options contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure, and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or are exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates, and foreign exchange rates. At June 30, 2009, the System had purchased S & P, Russell Index, treasury bonds and notes and global indices futures and options with a notional value of \$8,093,622,000 and sold treasury bonds and notes and global indices futures and options with a notional value of \$1,099,711,000. At June 30, 2009, the System had pledged as collateral U.S. Treasury and U.S. Government agency securities with a total market value of \$34,481,000 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, 2009, included receivables for deposits with brokers for securities sold short of \$698,757,000 and payables for securities sold short and not covered with market values of \$633,185,000.

## **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, 2009, the System had sold foreign currency contracts with a notional value of \$6,048,778,000 and had purchased foreign currency contracts with a notional value of \$6,086,574,000.

Foreign exchange contracts are used by the System to effect settlements and to protect the base currency (\$US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. 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 2009, the System entered into interest rate and total return swaps with a total notional value of \$1,318,821,000. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the System generally requires collateral on any material gains from these transactions.

## 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, 2009:

	Accounts Receivable	Loans / Mortgage Receivable	Interest Receivable	Taxes Receivable	Prepaid Tuition Contributions Receivable
<b>Primary Government:</b>					
General	\$ 727,149	\$ 217	\$ 477,642	\$ 1,763,513	\$ -
Major Special Revenue Funds:					
Commonwealth Transportation	137,231	29,263	-	155,276	-
Federal Trust	724,742	228	-	-	-
Literary	229,450	312,051	23,255	-	-
Nonmajor Governmental Funds	146,550	-	2,499	12	-
Major Enterprise Funds:					
State Lottery	53,104	-	-	-	-
Virginia College Savings Plan	5,244	-	3,610	-	284,886
Unemployment Compensation	94,900	-	-	-	-
Nonmajor Enterprise Funds	36,814	-	-	-	-
Internal Service Funds	29,508	-	-	-	-
Private Purpose	-	19	1,086	-	-
Pension and Other Employee Benefit Trust (1)	174,843	-	158,695	-	-
Investment Trust Fund	-	-	3,324	-	-
Agency Funds	84	-	-	219,926	-
<b>Total Primary Government (2)</b>	<u>\$ 2,359,619</u>	<u>\$ 341,778</u>	<u>\$ 670,111</u>	<u>\$ 2,138,727</u>	<u>\$ 284,886</u>
<b>Discrete Component Units:</b>					
Virginia Housing Development Authority (3)	\$ -	\$ 8,143,151	\$ 40,102	\$ -	\$ -
Virginia Public School Authority	-	-	62,820	-	-
University of Virginia	421,273	41,943	633	-	-
Virginia Polytechnic Institute and State University	61,479	32,347	1,129	-	-
Virginia Commonwealth University	323,585	29,320	181	-	-
Nonmajor Component Units	145,470	2,902,709	48,745	5,630	-
<b>Total Component Units</b>	<u>\$ 951,807</u>	<u>\$ 11,149,470</u>	<u>\$ 153,610</u>	<u>\$ 5,630</u>	<u>\$ -</u>

Note (1): Other Receivables of the Pension and Other Employee Benefit Trust Fund of \$791,892 (dollars in thousands) are made up of \$784,566 (dollars in thousands) in pending investment transactions, including the offsetting entries for \$797,844 (dollars in thousands) in the investment overlay and swaps, (\$23,075) (dollars in thousands) in variation margin on futures, and \$9,797 (dollars in thousands) in other investment receivable; as well as \$7,326 (dollars in thousands) in other receivables related to benefit plans.

Note (2): Fiduciary net receivables in the amount of \$3,130,538 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Note (3): VHDA reports \$8,108,786 (dollars in thousands) is Restricted Loans Receivable, \$38,647 (dollars in thousands) is Restricted Interest Receivable, and \$6,857 (dollars in thousands) is Restricted Other Receivables.

<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>
\$ -	\$ -	\$ (1,939,796)	\$ 1,028,725	\$ 6,917
-	-	(28,448)	293,322	29,295
-	-	(9,138)	715,832	258
-	-	(225,662)	339,094	286,248
-	-	(83,890)	65,171	1,063
-	-	-	53,104	-
-	-	-	293,740	218,819
-	-	(23,976)	70,924	-
-	-	(2,444)	34,370	-
-	-	(261)	29,247	-
-	-	-	1,105	-
1,851,800	791,892	-	2,977,230	-
-	-	-	3,324	-
-	-	(71,131)	148,879	125
<u>\$ 1,851,800</u>	<u>\$ 791,892</u>	<u>\$ (2,384,746)</u>	<u>\$ 6,054,067</u>	<u>\$ 542,725</u>
\$ -	\$ 18,481	\$ -	\$ 8,201,734	\$ 7,989,859
-	-	-	62,820	62,820
-	26,185	(277,040)	212,994	47,412
-	44	(2,861)	92,138	39,203
-	80,180	(134,181)	299,085	23,697
-	78,597	(13,428)	3,167,723	2,807,634
<u>\$ -</u>	<u>\$ 203,487</u>	<u>\$ (427,510)</u>	<u>\$ 12,036,494</u>	<u>\$ 10,970,625</u>

## 8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations<sup>(1)</sup> included with the major component units, and aggregated nonmajor component units, as of June 30, 2009:

*(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	\$ 30,673	\$ 60,997	\$ 6,554	\$ 98,224	\$ (8,585)	\$ (8,895)	\$ 80,744
Virginia Polytechnic Institute & State University	27,889	38,367	6,143	72,399	(2,691)	(1,961)	67,747
Virginia Commonwealth University	13,033	17,958	842	31,833	(2,920)	(519)	28,394
Nonmajor Component Units	38,940	74,187	37,535	150,662	(14,516)	(4,868)	131,278
<b>Total Component Units</b>	<u>\$ 110,535</u>	<u>\$ 191,509</u>	<u>\$ 51,074</u>	<u>\$ 353,118</u>	<u>\$ (28,712)</u>	<u>\$ (16,243)</u>	<u>\$ 308,163</u>

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

Note (2): The discount rate used to determine present value ranges from 0.98 percent to 8.00 percent.

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

### Due from/to Other Funds

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

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, 2009.

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

June 30, 2009

*(Dollars in Thousands)*

<b>Due From</b>	<b>Amount</b>	<b>Due To</b>	<b>Amount</b>
<b>Primary Government</b>		<b>Primary Government</b>	
General Fund	\$ 16,191	Major Enterprise Funds:	
		State Lottery	\$ 8,897
		Unemployment Compensation	274
		Nonmajor Enterprise Funds	6,656
		Internal Service Funds	364
Major Special Revenue Funds:			
Commonwealth Transportation	278	Internal Service Funds	278
Federal Trust	31	Major Enterprise Funds:	
		Unemployment Compensation	31
Nonmajor Governmental Funds	7,909	Major Special Revenue Funds:	
		Commonwealth Transportation	7,325
		Major Enterprise Funds:	
		Unemployment Compensation	202
		Nonmajor Enterprise Funds	382
Major Enterprise Funds:		General Fund	539
Unemployment Compensation	980	Major Special Revenue Funds:	
		Commonwealth Transportation	115
		Federal Trust	101
		Nonmajor Governmental Funds	174
		Nonmajor Enterprise Funds	26
		Internal Service Funds	25
Nonmajor Enterprise Funds	1,510	General Fund	709
		Major Special Revenue Funds:	
		Commonwealth Transportation	482
		Federal Trust	119
		Nonmajor Governmental Funds	129
		Nonmajor Enterprise Funds	21
		Internal Service Funds	50
Internal Service Funds	40,369	General Fund	18,320
		Major Special Revenue Funds:	
		Commonwealth Transportation	4,716
		Federal Trust	8,996
		Nonmajor Governmental Funds	6,462
		Major Enterprise Funds:	
		State Lottery	115
		Virginia College Savings Plan	26
		Nonmajor Enterprise Funds	1,430
		Internal Service Funds	304
<b>Total Primary Government</b>	<b>\$ 67,268</b>	<b>Total Primary Government</b>	<b>\$ 67,268</b>

**Schedule of Due from/to Internal/External Parties**  
June 30, 2009

*(Dollars in Thousands)*

Due From	Amount	Due To	Amount
<b>Primary Government</b>		<b>Primary Government</b>	
General Fund	\$ 27	Investment Trust	\$ 27
Nonmajor Governmental Funds	158	Agency	158
Agency	116	Nonmajor Governmental Funds	116
<b>Total Primary Government</b>	<b>\$ 301</b>	<b>Total Primary Government</b>	<b>\$ 301</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, 2009. There were no Interfund Receivables/Payables for the component units as of June 30, 2009.

**Interfund Receivables/Payables**  
June 30, 2009

*(Dollars in Thousands)*

Receivable From:	Amount	Payable To:	Amount
<b>Primary Government</b>		<b>Primary Government</b>	
Nonmajor Governmental Funds	\$ 43,478	Major Special Revenue Funds:	
		Federal Trust	\$ 4,197
		Nonmajor Enterprise Funds	28,537
		Internal Service	10,744
<b>Total</b>	<b>\$ 43,478</b>	<b>Total</b>	<b>\$ 43,478</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) - \$6.4 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 - \$22.5 million. The General Fund reports \$2.4 million of the due to component units in the governmental funds and the entire amount of \$32.1 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) - \$0.1 million, Virginia Polytechnic Institute and State University (major component unit) - \$0.1 million, Virginia Commonwealth University (major component unit) - \$1.0 million, nonmajor component units - \$7.3 million.

A \$13.3 million due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of Treasury's reimbursement programs primarily to nonmajor component units.

A \$2.6 million due from primary government amount represents an amount due from a nonmajor governmental fund related to the pledging of monies towards an acquisition for the Virginia Museum of Fine Arts Foundation (nonmajor component unit). The entire nonmajor governmental amount is reported in the government-wide financial statements.

A \$0.3 million due from component unit represents monies owed for administrative expenses from the Science Museum of Virginia Foundation (nonmajor component unit) to a nonmajor governmental fund. The

entire nonmajor governmental amount is reported in the government-wide financial statements.

The 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) - \$10.6 million, Virginia Polytechnic Institute and State University (major component unit) - \$12.3 million, Virginia Commonwealth University (major component unit) - \$9.9 million, and nonmajor component units - \$55.3 million. There is an additional due to component units of \$0.5 million from the University of Virginia (major component unit) to the Virginia College Building Authority (nonmajor component unit) and a \$0.2 million due to component units from the Virginia Economic Development Partnership (nonmajor component unit) to the Virginia National Defense Industrial Authority (nonmajor component unit).

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

The Virginia Commonwealth University (major component unit) loan of \$1.4 million, the College of William and Mary (nonmajor component unit) loan of \$0.8 million, and the Virginia College Building Authority (nonmajor component unit) loan of \$7.9 million were used to fund programs until bonds were issued. The Virginia Community College System (nonmajor component unit) loan of \$1.1 million and the George Mason University (nonmajor component unit) loan of \$12.6 million were primarily used to advance fund federally-funded grant programs.

The \$172.2 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, 2009:

(Dollars in Thousands)

	Cash and Travel Advances	Unamortized Bond Issuance Expense	Other Assets	Total Other Assets
<b>Primary Government:</b>				
General	\$ 981	\$ -	\$ -	\$ 981
Major Special Revenue Funds:				
Commonwealth Transportation	514	-	-	514
Federal Trust	1,293	-	-	1,293
Nonmajor Governmental Funds	836	-	118	954
Major Enterprise Funds:				
State Lottery	1	-	-	1
Nonmajor Enterprise Funds	161	-	-	161
Internal Service Funds (1)	104	-	9,497	9,601
Total Primary Government	<u>\$ 3,890</u>	<u>\$ -</u>	<u>\$ 9,615</u>	<u>\$ 13,505</u>
<b>Discrete Component Units:</b>				
Virginia Housing Development Authority	\$ -	\$ 7,914	\$ 36,765	\$ 44,679
University of Virginia	1,507	520	19,252	21,279
Virginia Polytechnic Institute and State University	-	1,212	6,151	7,363
Virginia Commonwealth University	383	3,968	13,524	17,875
Nonmajor Component Units	5,243	51,024	20,704	76,971
Total Component Units	<u>\$ 7,133</u>	<u>\$ 64,638</u>	<u>\$ 96,396</u>	<u>\$ 168,167</u>

Note (1): The \$9,497 (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 \$525.7 million in restricted assets related to bond agreements. The Virginia Housing Development Authority (major component unit) reported restricted assets totaling \$1.1 billion. The Virginia Public School Authority (major component unit) reported restricted assets of \$94.4 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 \$122.0 million. Of this amount, \$43.1 million are assets placed in an escrow account for construction projects, \$39.2 million for debt service

under a bond indenture agreement, \$3.6 million for securities lending transactions, \$26.5 million reserved as part of the Port Facility Revenue Bond requirement, \$2.5 million for current expenses, and \$7.1 million for other restrictions. The Virginia Resources Authority (nonmajor component unit) reported restricted assets of \$824.9 million. Of this amount, \$818.0 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and \$6.9 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program. Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of \$32.4 million. Of this amount, \$7.5 million is for debt service and \$24.9 million is revenue bond construction funds. The Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) reported restricted assets of \$352.5

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 \$3.7 billion primarily for endowment and other contractual obligations. Included in this amount is approximately \$2.7 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 \$167.9 million and \$12.6 million, respectively, primarily for donor-imposed restricted endowments.

The remaining \$20.3 million is spread among the Virginia Outdoors Foundation (nonmajor component unit), the Virginia Horse Center Foundation (nonmajor component unit), the Virginia Small Business Financing Authority (nonmajor component unit), the Virginia Arts Foundation (nonmajor component unit), the Fort Monroe Federal Area Development 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 July 1, as restated	Increases	Decreases	Balance June 30
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 1,944,505	\$ 160,008	\$ (37,091)	\$ 2,067,422
Construction in Progress	3,270,214	1,542,880	(1,549,032)	3,264,062
Total Nondepreciable Capital Assets	<u>5,214,719</u>	<u>1,702,888</u>	<u>(1,586,123)</u>	<u>5,331,484</u>
<b>Depreciable Capital Assets:</b>				
Buildings	2,799,539	206,544	(8,259)	2,997,824
Equipment	922,545	53,581	(22,104)	954,022
Infrastructure	20,452,213	1,488,077	(136,979)	21,803,311
Total Capital Assets being Depreciated	<u>24,174,297</u>	<u>1,748,202</u>	<u>(167,342)</u>	<u>25,755,157</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	913,448	69,064	(4,401)	978,111
Equipment	457,041	59,699	(15,130)	501,610
Infrastructure	9,402,700	540,144	(27,495)	9,915,349
Total Accumulated Depreciation	<u>10,773,189</u>	<u>668,907</u>	<u>(47,026)</u>	<u>11,395,070</u>
Total Depreciable Capital Assets, Net	<u>13,401,108</u>	<u>1,079,295</u>	<u>(120,316)</u>	<u>14,360,087</u>
Total Capital Assets, Net	<u>\$ 18,615,827</u>	<u>\$ 2,782,183</u>	<u>\$ (1,706,439)</u>	<u>\$ 19,691,571</u>

Note: Beginning balances have been restated by \$21,338 (dollars in thousands) due to prior year errors, as discussed in Note 2. Additionally, there have been reclassifications in the beginning balances of certain line items above.

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

June 30, 2009

*(Dollars in Thousands)*

Governmental Activities:	
General Government	\$ 23,493
Education	10,605
Transportation	558,997
Resources and Economic Development	8,710
Individual and Family Services	14,117
Administration of Justice	38,087
Capital Assets held by the Internal Service	
Funds are charged to various functions	14,898
Total	<u>\$ 668,907</u>

**Schedule of Changes in Capital Assets**

**Business-type Activities**

*(Dollars in Thousands)*

	<b>Balance July 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 1,977	\$ -	\$ -	\$ 1,977
Construction in Progress	252	84	-	336
Total Nondepreciable Capital Assets	<u>2,229</u>	<u>84</u>	<u>-</u>	<u>2,313</u>
<b>Depreciable Capital Assets:</b>				
Buildings	18,320	-	-	18,320
Equipment	90,659	4,104	(266)	94,497
Infrastructure	1	-	-	1
Total Capital Assets being Depreciated	<u>108,980</u>	<u>4,104</u>	<u>(266)</u>	<u>112,818</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	10,584	546	-	11,130
Equipment	69,951	8,535	(226)	78,260
Infrastructure	1	-	-	1
Total Accumulated Depreciation	<u>80,536</u>	<u>9,081</u>	<u>(226)</u>	<u>89,391</u>
Total Depreciable Capital Assets, Net	<u>28,444</u>	<u>(4,977)</u>	<u>(40)</u>	<u>23,427</u>
Total Capital Assets, Net	<u>\$ 30,673</u>	<u>\$ (4,893)</u>	<u>\$ (40)</u>	<u>\$ 25,740</u>

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

(Dollars in Thousands)

	Balance July 1 as restated	Increases	Decreases	Subtotal June 30	Foundations (1)	Total June 30
<b>Nondepreciable Capital Assets:</b>						
Land	\$ 435,412	\$ 26,486	\$ (2,229)	\$ 459,669	\$ 231,096	\$ 690,765
Construction in Progress (2)	1,697,882	1,636,299	(1,520,200)	1,813,981	60,863	1,874,844
Inexhaustible Works of Art / Historical Treasures	72,800	1,096	-	73,896	16,503	90,399
Livestock	578	58	-	636	2,063	2,699
Total Nondepreciable Capital Assets	<u>2,206,672</u>	<u>1,663,939</u>	<u>(1,522,429)</u>	<u>2,348,182</u>	<u>310,525</u>	<u>2,658,707</u>
<b>Depreciable Capital Assets:</b>						
Buildings (2)	7,511,859	1,365,672	(97,616)	8,779,915	841,379	9,621,294
Infrastructure (2)	1,928,860	161,326	(698)	2,089,488	2,019	2,091,507
Equipment (2)	2,448,353	287,550	(95,294)	2,640,609	110,718	2,751,327
Improvements Other Than Buildings (2)	356,312	19,087	(8,330)	367,069	51,231	418,300
Library Books	666,501	36,818	(7,878)	695,441	-	695,441
Total Capital Assets being Depreciated	<u>12,911,885</u>	<u>1,870,453</u>	<u>(209,816)</u>	<u>14,572,522</u>	<u>1,005,347</u>	<u>15,577,869</u>
<b>Less Accumulated Depreciation for:</b>						
Buildings (2)	2,518,529	248,952	(11,168)	2,756,313	163,025	2,919,338
Infrastructure (2)	974,218	64,342	(961)	1,037,599	1,371	1,038,970
Equipment (2)	1,474,274	216,582	(87,741)	1,603,115	74,531	1,677,646
Improvements Other Than Buildings (2)	186,386	15,859	(607)	201,638	19,792	221,430
Library Books	538,987	32,542	(8,477)	563,052	-	563,052
Total Accumulated Depreciation	<u>5,692,394</u>	<u>578,277</u>	<u>(108,954)</u>	<u>6,161,717</u>	<u>258,719</u>	<u>6,420,436</u>
Total Depreciable Capital Assets, Net	<u>7,219,491</u>	<u>1,292,176</u>	<u>(100,862)</u>	<u>8,410,805</u>	<u>746,628</u>	<u>9,157,433</u>
Total Capital Assets, Net	<u>\$ 9,426,163</u>	<u>\$ 2,956,115</u>	<u>\$ (1,623,291)</u>	<u>\$ 10,758,987</u>	<u>\$ 1,057,153</u>	<u>\$ 11,816,140</u>

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

Note (2): Beginning balances have been restated for a change in reporting entity for the Virginia Commercial Space Flight Authority (nonmajor component unit) and for the correction of prior year errors for the College of William and Mary (nonmajor component unit). Additionally, there have been reclassifications in the beginning balances of certain line items above.

### 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. Administration

The Virginia Retirement System (the System) is an independent agency of the Commonwealth that administers defined benefit pension plans, other employee benefit plans and other funds for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The Board of Trustees is responsible for the general administration and operation of the plans. The Board consists of five members appointed by the Governor and four members appointed by the Joint Rules Committee, all subject to confirmation by the General Assembly. The Board of Trustees appoints a director to serve as the chief administrative officer of the System and a chief investment officer to direct, manage and administer the investment of the System's funds. The Board of Trustees has appointed Mellon Trust as the custodian of designated assets of the System.

The System administers four defined benefit pension plans: the Virginia Retirement System (VRS); State Police Officers' Retirement System (SPORS); Virginia Law Officers' Retirement System (VaLORS); and the Judicial Retirement System (JRS). In addition to the pension plans, the System administers three Other Employee Benefit Plans: Group Life Insurance Fund; Retiree Health Insurance Credit Fund; and the Virginia Sickness and Disability Program (VSDP).

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

##### Basis of Accounting

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

##### Method Used to Value Investments

Investments are reported at fair value as determined by the System's master custodian, Mellon Trust, from its Global Pricing System. This pricing system assigns a price source, based on asset type and the vendor pricing products to which

the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

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

The pricing sources utilized by the master custodian provide daily prices for equity securities, corporate, government and mortgage-backed fixed income securities, private placement securities, futures and options on futures, open-ended funds, and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations (CMOs), adjustable rate mortgages (ARMs) and asset-backed securities are priced 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.

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

#### C. Plan Description

##### Retirement Plans

The Virginia Retirement System is a qualified governmental retirement plan that provides defined benefit coverage for state employees, public school board employees, employees of participating political subdivisions and other qualifying employees. VRS is a mixed-agent and cost-sharing, multiple-employer retirement plan. The plan's accumulated assets may legally be used to pay all plan benefits provided to any of the plan members or beneficiaries. Contributions for fiscal year 2009, were \$2.0 billion with a reserve balance available for benefits of \$39.9 billion. At June 30, 2009, the VRS had 821 contributing employers.

##### Single-employer Retirement Plans

The Commonwealth administers the following single-employer retirement plans:

- State Police Officers' Retirement System (SPORS)
- Virginia Law Officers' Retirement System (VaLORS)
- Judicial Retirement System (JRS)

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

Benefits vest for all plans after five years of service. Vested VRS members are eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit as elected by the employer. Vested SPORS and VaLORS members are eligible for an unreduced benefit at age 50 with at least five years of hazardous duty service credit or age 50 with at least 25 years of total service credit.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of eligible members' average final compensation (AFC) for each year of service credit. AFC is the average of the member's 36 consecutive months of highest creditable compensation. The benefit for members of SPORS is calculated using a 1.85 percent multiplier. Members of SPORS also are eligible for a hazardous duty supplement, paid monthly, until they reach full Social Security retirement age.

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

Members of JRS receive weighted years of service credit for each year of actual service under JRS. VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. Cost-of-living increases, based on changes in the Consumer Price Index and limited to 5.0 percent per year, are granted in the second year of retirement and in every year thereafter.

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

As required by Title 51.1 of the *Code of Virginia*, as amended, members contribute 5.0 percent of their annual compensation to the defined benefits plans. Employers may assume the 5.0 percent member contribution. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the board of trustees. Contributions for fiscal year 2009, were \$25.3 million, \$69.1 million, \$24.1 million and reserved balances available for benefits of \$484.1 million, \$690.6 million, and \$283.9 million for SPORS, VaLORS and JRS, respectively. State statute may be amended only by the General Assembly.

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

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

The System's former actuary, Wachovia Retirement Services, computed the amount of contributions to be provided by state agency employers, state police and other Virginia law employers. The contribution rates for fiscal year 2009 were based on the actuary's valuation as of June 30, 2007. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 6.23 percent, 20.05 percent, 14.23 percent, and 34.51 percent, respectively, of covered payrolls.

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

## E. Annual Pension Cost and Net Pension Obligation

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

	VRS			SPORS		
	2009	2008	2007	2009	2008	2007
Annual required contribution	\$ 355,608	\$ 316,649	\$ 294,388	\$ 31,894	\$ 29,718	\$ 25,488
Interest on net pension obligation	62,199	54,933	47,378	7,227	6,587	5,915
Adjustment to annual required contribution	(65,798)	(56,436)	(48,915)	(7,653)	(6,777)	(6,085)
Annual pension cost	352,009	315,146	292,851	31,468	29,528	25,318
Contributions made	(225,079)	(218,256)	(192,360)	(20,175)	(20,990)	(16,358)
Increase in net pension obligation	126,930	96,890	100,491	11,293	8,538	8,960
Net pension obligation, beginning of year	829,256	732,366	631,875	96,369	87,831	78,871
Net pension obligation, end of year	<u>\$ 956,186</u>	<u>\$ 829,256</u>	<u>\$ 732,366</u>	<u>\$ 107,662</u>	<u>\$ 96,369</u>	<u>\$ 87,831</u>
Percentage of annual pension cost contributed	63.9%	69.3%	65.7%	64.1%	71.1%	64.6%

	JRS			VaLORS		
	2009	2008	2007	2009	2008	2007
Annual required contribution	\$ 28,427	\$ 28,284	\$ 26,768	\$ 80,509	\$ 79,420	\$ 72,460
Interest on net pension obligation	4,985	4,553	4,094	19,313	17,589	15,814
Adjustment to annual required contribution	(5,279)	(4,684)	(4,211)	(20,450)	(18,096)	(16,270)
Annual pension cost	28,133	28,153	26,651	79,372	78,913	72,004
Contributions made	(21,000)	(22,387)	(20,530)	(50,932)	(55,929)	(48,338)
Increase in net pension obligation	7,133	5,766	6,121	28,440	22,984	23,666
Net pension obligation, beginning of year	66,472	60,706	54,585	257,506	234,522	210,856
Net pension obligation, end of year	<u>\$ 73,605</u>	<u>\$ 66,472</u>	<u>\$ 60,706</u>	<u>\$ 285,946</u>	<u>\$ 257,506</u>	<u>\$ 234,522</u>
Percentage of annual pension cost contributed	74.6%	79.5%	77.0%	64.2%	70.9%	67.1%

The amounts in the previous table include governmental and component unit activity for which the Commonwealth is considered the employer. It does not include the VRS liability for the Virginia Economic Development Partnership (component unit), the Virginia Tourism Authority (component unit), and the Virginia National Defense Industrial Authority (component unit) of \$1.9 million, \$977,972, and \$71,027, respectively. The table also excludes the non-VRS pension liability of \$73.0 million for all other component units and includes the fiduciary pension liability of \$5.5 million.

The contribution rates were determined during the actuarial valuation conducted as of June 30, 2007. These valuations were prepared using the entry

age normal cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 5.6 percent, including a 2.5 percent inflation component; and (c) 2.5 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, 2009, was 20 years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**F. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2009, was as follows:

*(Dollars in Millions)*

<u>Actuarial Valuation Date June 30</u>	<u>Actuarial Value of Assets [a]</u>	<u>Actuarial Accrued Liability (AAL) Entry Age [b]</u>	<u>Unfunded AAL (UAAL) [b-a]</u>	<u>Funded Ratio [a/b]</u>	<u>Covered Payroll [c]</u>	<u>UAAL as a Percentage of Covered Payroll [b-a]/[c]</u>
<b>Virginia Retirement System (VRS)</b>						
2008	\$ 52,548	\$ 62,554	\$ 10,006	84.0%	\$ 14,559	68.7%
<b>State Police Officers' Retirement System (SPORS)</b>						
2008	\$ 646	\$ 844	\$ 198	76.5%	\$ 103	192.2%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>						
2008	\$ 873	\$ 1,281	\$ 408	68.1%	\$ 368	110.9%
<b>Judicial Retirement System (JRS)</b>						
2008	\$ 374	\$ 495	\$ 121	75.6%	\$ 61	198.4%

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

**G. Defined Contribution Plan for Political Appointees**

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the ING Institutional Plan Services (ING). This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's (6.23 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, 2009, the total contributions to this plan were \$752,634.

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

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

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. At June 30, 2009, there was one participant in this plan. Total contributions to the plan for fiscal year 2009 were \$21,000.

**I. Virginia Supplemental Retirement Plan**

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

teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. At June 30, 2009, there were two participants in this plan. Total contributions to the plan for fiscal year 2009 were \$20,127.

**J. 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 System 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., Vanguard, and others. 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, 2009, the total contributions to these plans were:

TIAA-CREF	\$	93,163,824
VALIC		2,869,250
Fidelity Investments		52,769,531
Vanguard		4,605,164
Others		1,035,883
Total	<u>\$</u>	<u>154,443,652</u>

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – major) contributes to the VRS. The System 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 ten 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, 2009, were approximately \$13,405,000. 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, 2009, there were five actively employed participants in the HCP plan. Total contributions to the HCP plan for the year ended June 30, 2009, were approximately \$35,000.

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

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, 2009, were approximately \$1,787,000.

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 \$9,296,000 for the year ended June 30, 2009.

VA Premier (a component unit of the Authority) adopted a 401(k) plan sponsored by Fidelity Investments. Employees become eligible to participate in the plan after completing one year of service. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute one percent to 15 percent of their compensation. VA Premier will match 50 percent of the employees' contributions up to four percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes three 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 2009 was approximately \$549,000.

Effective June 2007, the Carolina Crescent Health Plan (a component unit of the Authority) (CCHP) adopted a 401(k) plan, for which Fidelity Investments is the trustee. All terms are consistent with the VA Premier 401(k) plan. CCHP's expense for its contributions to this plan was approximately \$68,000 for the year ended June 30, 2009.

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, 159 faculty members have elected to enroll in the plan. As of June 30, 2009, 50 participants remain, including 9 new participants who retired under this plan during fiscal year 2009 and 8 new participants who are scheduled to retire under this plan during fiscal year 2010. 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 \$1,093,702 of the fiscal year 2010 plan contribution in 2009. The remaining 2010 plan contribution of \$26,492 will be paid in 2010.

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. Contributions for the plan totaled \$366,579 in fiscal year 2009.

## **K. Other Component Units**

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), the Virginia College Building Authority (nonmajor), the Virginia University Research Partnership (nonmajor), 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, the Virginia National Defense Industrial Authority, and the Library of Virginia Foundation (all nonmajor) contribute solely to the VRS, a mixed-agent and cost-sharing multiple-employer retirement plan. The System issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to eight percent of full-time employees' compensation. Total retirement savings expense under this plan was \$1,855,824 in fiscal year 2009.

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Service cost - benefits earned during the year	\$ 2,234,100	\$ 2,136,300	\$ 2,036,800
Interest cost on projected benefit obligation	3,976,700	3,660,500	3,316,900
Expected return on assets	(4,027,000)	(4,286,500)	(3,729,500)
Net amortization and deferral	<u>1,446,200</u>	<u>779,200</u>	<u>941,500</u>
Annual pension cost	3,630,000	2,289,500	2,565,700
Contributions made	<u>(2,482,000)</u>	<u>(1,640,100)</u>	<u>(2,634,600)</u>
Increase (Decrease) in prepaid pension obligation	1,148,000	649,400	(68,900)
Prepaid pension obligation, beginning of year	<u>(8,740,800)</u>	<u>(9,390,200)</u>	<u>(9,321,300)</u>
Prepaid pension obligation, end of year	<u><u>\$ (7,592,800)</u></u>	<u><u>\$ (8,740,800)</u></u>	<u><u>\$ (9,390,200)</u></u>

Costs have been computed in accordance with the aggregate cost method. Changes in plan provisions and actuarial assumptions, and actuarial gains and losses are not separately amortized under this method. Rather the impact is spread through the nominal cost component over the future working lifetime of participants. The actuarial present value of accumulated plan benefits is determined by an actuary from New York Life Benefit Services, LLC using end of year benefit information as of September 30, 2008 and 2007, respectively, and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment.

The following table sets forth the plan's funded status and the related amounts recorded in the authority's balance sheets at June 30, 2009, 2008, and 2007.

<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>
2009	\$ 3,630,000	68 %	\$ (7,592,800)
2008	\$ 2,289,500	72 %	\$ (8,740,800)
2007	\$ 2,565,700	103 %	\$ (9,390,200)

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 shown in the following schedule.

<b>Trend Information</b>			
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Service cost - benefits earned during the year	\$ 655,361	\$ 642,254	\$ 532,378
Interest cost on projected benefit obligation	435,006	356,456	299,507
Expected return on assets	1,096,215	260,403	(434,736)
Net amortization and deferral	<u>(1,310,223)</u>	<u>(458,630)</u>	<u>387,386</u>
Annual pension cost	876,359	800,483	784,535
Contributions made	(1,185,944)	(1,166,439)	(1,654,371)
Additional minimum liability	<u>-</u>	<u>-</u>	<u>(1,402,080)</u>
Increase (Decrease) in pension obligation	(309,585)	(365,956)	(2,271,916)
Pension obligation, beginning of year	<u>(1,493,759)</u>	<u>(1,127,803)</u>	<u>1,144,113</u>
Prepaid pension obligation, end of year	<u>\$ (1,803,344)</u>	<u>\$ (1,493,759)</u>	<u>\$ (1,127,803)</u>

The annual pension cost for the current year was determined as part of the July 2009 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 6.82 percent in 2009, 6.92 percent in 2008, and 6.25 percent in 2007. 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, 2009, 2008, 2007.

Trend Information			
Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2009	\$ 876,359	135 %	\$ (1,803,344)
2008	\$ 800,483	146 %	\$ (1,493,759)
2007	\$ 784,535	211 %	\$ (1,127,803)

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The plans had assets of \$2,898,113 and an accrued liability of \$5,852,745. No contributions were made to the plans for the year ended June 30, 2009.

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. For the year ended June 30, 2009, the Authority's annual pension cost of \$96,905 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, 2009. 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 five 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, 2009, and 2008, the Foundation contributed 8.4 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 \$89,918 for the fiscal year ended June 30, 2009.

The Science Museum of Virginia Foundation has a 403(b) defined contribution pension plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) Retirement Plan for employees meeting age and service requirements. The Foundation contributes an amount not to exceed three percent of the regular salary of each participant. The Foundation's employer contributions totaled \$5,502 in 2009. The Foundation also has a 457(b) plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF); employer contributions totaled \$13,937 in 2009.

#### 14. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, 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 (the System). The System administers a third other employment benefit plan, the Volunteer Firefighters' and Rescue Squad Workers' Fund, in which the Commonwealth does not participate, but may provide funding. The significant accounting policies for all three plans are the same as those described in Note 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 was established for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, state police officers, other state law enforcement and correctional officers, judges, and other qualifying employees. The program provides life insurance for natural death coverage equal to a members' annual compensation rounded to the next highest \$1,000 and then doubled. Accidental death coverage is double the natural death benefit. The program also provides coverage for accidental dismemberment and accidental

blindness, a safety belt benefit, a repatriation benefit, a felonious assault benefit and an accelerated death benefit for terminal conditions. Approximately 363,341 members participate in the program at June 30, 2009.

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

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest \$1,000, up to a maximum of \$600,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for \$10,000, \$20,000 or \$30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 65,330 members were covered under this program at June 30, 2009.

Optional group life insurance coverage ends for members when they retire or terminate their employment, or when their basic coverage ends. Members who retire on disability may continue their optional coverage until age 65 provided they continue to pay the required insurance premiums. Spouse coverage terminates should a couple divorce or when the member leaves employment. Children's coverage ends with the termination of the member's coverage or when the child marries or turns 21 years of age (25 years of age for full-time college students).

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

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

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

VSDP benefits include sick, family and personal leave and short-term and long-term disability benefits. After a seven-calendar day waiting period following the first day of disability, eligible employees receive short-term disability benefits from 60 percent to 100 percent of their compensation depending on their months of state service. After 125 work days of short-term disability, eligible employees receive long-term disability benefits equal to 60 percent of their compensation. If the employee's condition becomes catastrophic, income replacement increases to 80 percent until the condition is no longer catastrophic. Long-term disability benefits continue until employees either return to work, reach age 65 (age 60 for state police officers and other state law enforcement and correctional officers) or die.

Full-time permanent salaried state employees, including state police officers and other Virginia law and correctional officers, are automatically enrolled in the VSDP. Part-time permanent salaried state employees who work at least 20 hours a week and accrue leave also are automatically enrolled. Teaching, administrative and research faculty of Virginia public colleges and universities who elect VRS as their retirement plan must make an irrevocable election to participate in either the VSDP or the institution's disability program. If there is no institution program, the faculty member is covered under VSDP.

Eligible state employees and state police officers employed before January 1, 1999 had the option to elect to participate in the VSDP or remain under the Commonwealth's existing sick leave program and retain their eligibility for disability retirement benefits under VRS and SPORS. (Members of VaLORS have been automatically enrolled in the VSDP since October 1, 1999 when VaLORS was created.) Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, SPORS, or VaLORS. Approximately 74,752 members were covered under the program at June 30, 2009.

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

Volunteer firefighters and rescue squad workers may participate in an optional employment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. Members of the plan contribute \$30 per quarter. The Commonwealth will contribute an amount determined by the board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed 20 years. For fiscal year 2009, \$28,000 was appropriated for administration of the program. At June 30, 2009, there were 1,446 workers participating in the fund.

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

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

The Government Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which requires additional reporting and disclosures for OPEB plans. The statement became effective for System-administered OPEB plans beginning with the fiscal year ended June 30, 2007. The assets and actuarial accrued liabilities for the following other post-employment benefits were determined through an actuarial valuation performed as of June 30, 2008, by Cavanaugh Macdonald Consulting, LLC, and are presented in the Required Supplemental Schedule of Funding Progress for Other Post-Employment Benefit Plans. The significant accounting policies for all three plans are the same as those described in Note 13 for pension plans and a separately issued report is available as previously discussed.

#### Group Life Insurance Benefits

Employees who retire or terminate from service after age 50 with at least ten years of service credit or at age 55 with at least five years of service credit (age 50 for vested state police officers, other state law enforcement and correctional officers and hazardous duty employees of participating political subdivisions), or who retire because of disability, are entitled to post-employment group 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 calendar year following retirement or termination and on January 1 of 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*. There were approximately 133,489 retirees in the program in fiscal year 2009.

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, to provide benefits

for retired state employees, state police officers, other state law enforcement and correctional officers and judges who have at least 15 years of service credit under the retirement plans. The program provides a credit reimbursement of \$4 per month per year of service credit against the monthly health insurance premiums of eligible retirees.

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The amount required to fund all credits is financed by the employers based on contribution rates determined by the system's actuary. Approximately 87,538 retired members were covered under this program at June 30, 2009. The Retiree Health Insurance Credit Program is a cost-sharing, multiple-employer defined benefit OPEB plan.

#### Disability Insurance Trust Fund

The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program. There were approximately 2,483 former members receiving benefits from the program during fiscal year 2009. The Disability Insurance Trust Fund is a single-employer defined benefit OPEB plan.

### B. Other Plans

The Commonwealth administers the following single-employer defined benefit OPEB plans.

#### Line of Duty Death and Disability

The Commonwealth provides death and health benefits to the beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty. A trust fund has been established to account for this activity. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the *Code of Virginia*. The significant accounting policies for this plan are the same as those described in Note 13 for pension plans. The Line of Duty Death and Disability is administered by the Department of Accounts. There were approximately 623 retirees and 605 other participants in the program in fiscal year 2009.

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

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund.

The significant accounting policies for this plan are the same as those described in Note 13 for pension plans. The Pre-Medicare Retiree Healthcare is administered by Department of Human Resource Management. There were approximately 8,319 retirees in the program in fiscal year 2009.

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

The Government Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required additional reporting and disclosures for OPEB plans beginning with the fiscal year ending June 30, 2008. The Commonwealth calculated an OPEB liability as of June 30, 2009, for each of the five OPEB plans. The Retiree Health Insurance Credit Fund, Disability Insurance Trust Fund, Line of Duty Death and Disability, and Pre-Medicare Retiree Healthcare OPEB liabilities were \$2.2 million, \$27.8 million, \$7.8 million, and \$196.3 million, respectively.

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

	<u>Group Life Insurance Fund</u>		<u>Retiree Health Insurance Credit Fund</u>		<u>Disability Insurance Trust Fund</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 40,248	\$ 48,000	\$ 66,979	\$ 62,387	\$ 79,450	\$ 97,689
Interest on net OPEB obligation	-	-	-	-	1,467	-
Adjustment to annual required contribution	-	-	-	-	(1,552)	-
Annual OPEB cost	40,248	48,000	66,979	62,387	79,365	97,689
Contributions made	(40,248)	(48,000)	(64,783)	(62,387)	(71,142)	(78,151)
Increase in net OPEB obligation	-	-	2,196	-	8,223	19,538
Net OPEB obligation (asset), beginning of year	-	-	-	-	19,538	-
Net OPEB obligation (asset), end of year	\$ -	\$ -	\$ 2,196	\$ -	\$ 27,761	\$ 19,538
Percentage of annual OPEB cost contributed	100.0%	100.0%	96.7%	100.0%	89.6%	80.0%

	<u>Line of Duty Death and Disability</u>		<u>Pre-Medicare Retiree Healthcare</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 16,523	\$ 9,786	\$ 131,654	\$ 127,156
Interest on net OPEB obligation	(12)	-	4,733	-
Adjustment to annual required contribution	11	-	(4,489)	-
Annual OPEB cost	16,522	9,786	131,898	127,156
Contributions made	(8,511)	(10,026)	(30,722)	(32,056)
Increase in net OPEB obligation	8,011	(240)	101,176	95,100
Net OPEB obligation (asset), beginning of year	(240)	-	95,100	-
Net OPEB obligation (asset), end of year	\$ 7,771	\$ (240)	\$ 196,276	\$ 95,100
Percentage of annual OPEB cost contributed	51.5%	102.5%	23.3%	25.2%

The amounts in the previous table include Governmental and Component Unit activity for which the Commonwealth is considered the employer. It does not include the OPEB liability for the Virginia Economic Development Partnership (component unit), the Virginia Tourism Authority (component unit), Virginia Outdoors Foundation (component unit) and the Virginia National Defense Industrial Authority (component unit) of \$315,798, \$159,300, \$613, and \$11,568, respectively. The table also excludes non-Commonwealth sponsored OPEB liabilities of \$8.8 million for all other component units and includes the fiduciary OPEB liability of \$892,300.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2008, for all but Pre-Medicare Retiree Healthcare for which the June 30, 2007, valuation was used, as that is the most recent report that reflects the current funding policies. For fiscal year 2009, employer contributions by the Commonwealth for Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance were 0.82 percent, 1.18 percent, and 1.79 percent, respectively, of covered payrolls. The valuations were prepared using the entry age normal cost method for all plans except for the Disability Insurance and Line of Duty Death and Disability trust funds for which the Projected Unit Credit actuarial cost method was used. The Line of Duty Death and Disability and Pre-Medicare Retiree Healthcare plans use a 4.97 percent investment rate of return, per year compounded

annually, which approximates the projected rate of return on the Treasurer's Portfolio. The Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance use a 7.5 percent investment rate of return, per year compounded annually. The actuarial assumptions for all but the Pre-Medicare Retiree Healthcare plan included a projected salary increase of 3.0 percent, including a 2.5 percent inflation component. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five year period. The remaining closed amortization period at June 30, 2009, was 30 years. The actuarial assumptions for the Pre-Medicare Retiree Healthcare plan as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate include (a) projected salary increases ranging from 3.75 percent to 5.6 percent, including a 2.5 percent inflation component; and, (b) assumption that there is no liability associated with those retirees eligible for Medicare, as costs for members aged 65 and older are not subsidized by the active population (no implicit subsidy), participants pay 100 percent of the costs, and the liability associated with the health insurance credit is measured and held by the Virginia Retirement System. Initial healthcare costs trend rates used were 10 percent, 11 percent, and 6 percent for medical, pharmacy, and dental benefits, respectively. The ultimate trend rates used were 5 percent, 5 percent, and 4 percent for medical, pharmacy, and dental benefits, respectively. The remaining closed amortization period at June 30, 2009 is 30 years.

#### D. Funded Status and Funding Progress

The funded status of the plans as of June 30, 2009, was as follows:

*(Dollars in Millions)*

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Group Life Insurance Fund</b>						
2008	\$ 975	\$ 1,772	\$ 797	55.0%	\$ 16,267	4.9%
<b>Retiree Health Insurance Credit Fund</b>						
2008	\$ 261	\$ 1,908	\$ 1,647	13.7%	\$ 12,986	12.7%
<b>Disability Insurance Trust Fund</b>						
2008	\$ 286	\$ 363	\$ 77	78.8%	\$ 4,111	1.9%
<b>Line of Duty Death and Disability</b>						
2008	\$ 3	\$ 185	\$ 182	1.6%	\$ N/A	-
<b>Pre-Medicare Retiree Healthcare</b>						
2007	\$ -	\$ 982	\$ 982	-	\$ 2,931	33.5%

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

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

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

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

The Virginia Housing Development Authority (major component unit) has a Retiree Health Care Plan, a single-employer defined benefit plan which is administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust, an irrevocable trust to be used solely for providing benefits to eligible participants. Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service or at least 55 years of age with 10 years of service if employed by the Authority prior to such date. For the year ended June 30, 2009, the Authority's Annual OPEB cost was \$891,013; the percentage of Annual OPEB Cost Contributed was 100 percent; and the ending Net OPEB asset was \$110,636.

Hampton Roads Sanitation District Commission (nonmajor component unit) provides other post-employment benefits for its employees through a single employer defined benefit plan. The plan was established and may be amended by the Commission. The plan furnishes health and dental benefits for life for all employees with at least 15 years of service and who also qualify for an unreduced retirement benefit through the VRS. The plan allows the retiree at their expense to cover their spouse and dependent under the district's

health care provider. Contribution requirements are actuarially determined and funding is subject to approval by the Commission. The current rate is 7.6 percent of annual covered payroll. For 2009, the Commission's annual OPEB cost was \$2.9 million; the percentage of annual OPEB cost contributed was 64.8 percent; and the ending net OPEB obligation was \$1.0 million.

The Virginia Port Authority (nonmajor component unit) offers post retirement medical and dental benefits to employees who retire under either VRS or the VPA pension plan. For employees and their spouses, who are participants in the VPA medical plan, not participants under the state health care plan VRS, benefit provisions and obligations are established and may be amended by the board of commissioners of the Authority. For the year ended June 30, 2009, the Authority's annual OPEB cost was \$34,167; contribution towards OPEB cost was \$7,398; the percentage of annual OPEB cost contributed was 21.7 percent; and the ending net OPEB obligation was \$85,079.

#### **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 (the System) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The System contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, 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 System for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the System has no fiduciary relationship with plan participants, plan assets of \$994.3 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. 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, 2009, was \$154.9 million, which is also excluded from the financial statements.

The Virginia Housing Development Authority (major component unit) and the Virginia Resource 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 System 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 six percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was \$158,322 for the fiscal year ended June 30, 2009. 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 non-union employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to 50 percent of the first three percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was \$349,123 for the fiscal year ended June 30, 2009.

## 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 is a class of the PFM Funds Prime Series, a money market mutual fund registered with the Securities and Exchange Commission. PFM Funds is a diversified, open-end management investment company organized as a Virginia business trust. Shares of the SNAP fund are solely available to investors participating

in the SNAP program. The PFM Funds Board of Trustees has overall responsibility for supervising the SNAP fund's business and affairs, including the oversight of organizations providing investment advisory, administration, and distribution services to the SNAP fund. PFM Asset Management LLC serves as the investment adviser of the SNAP fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of \$2.7 billion are not included in the financial statements.

## 18. COMMITMENTS

### A. Construction Projects

#### Highway Projects

At June 30, 2009, the Department of Transportation (part of primary government) had contractual commitments of approximately \$1.9 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) federal funds – approximately 33 percent or \$651.0 million, (2) state funds – approximately 63 percent or \$1.2 billion, and (3) Proceeds from Bonds – approximately 4 percent or \$87.0 million.

#### Mass Transit Projects

At June 30, 2009, the Department of Rail and Public Transportation (part of primary government) had contractual commitments of approximately \$310.4 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 90 percent or \$278.9 million, and (2) federal funds - approximately 10 percent or \$31.5 million.

#### Wastewater Treatment Projects

At June 30, 2009, the Department of Environmental Quality (part of primary government) was committed to grant contracts with localities to reimburse a portion of construction costs for nutrient reduction facilities at wastewater treatment plants totaling \$341.2 million.

#### Port Projects

At June 30, 2009, the Virginia Port Authority (nonmajor component unit) was committed to construction contracts totaling \$216.5 million.

## Sanitation District Project

At June 30, 2009, the Hampton Roads Sanitation District Commission (nonmajor component unit) was committed to construction programs totaling \$24.8 million.

## Higher Education Institutions

Colleges and universities (component units) had contractual commitments as of June 30, 2009, of approximately \$942.3 million primarily for construction contracts. Higher education foundations' commitments total approximately \$103.8 million and are primarily for construction contracts.

## B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2009, was \$75.2 million for governmental activities (including internal service funds) and \$20.4 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2009, was \$97.9 million. The Commonwealth has, as of June 30, 2009, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		Component Units (1)
	Governmental Activities	Business-type Activities	
2010	\$ 60,662	\$ 16,996	\$ 60,979
2011	46,304	14,192	47,544
2012	38,275	10,369	36,477
2013	28,683	7,285	26,945
2014	21,369	3,546	16,144
2015-2019	53,012	1,695	40,927
2020-2024	5,099	-	6,845
2025-2029	2,295	-	823
2030-2034	551	-	823
2035-2039	571	-	823
2040-2044	-	-	823
2045-2049	-	-	823
2050-2054	-	-	164
Total	<u>\$ 256,821</u>	<u>\$ 54,083</u>	<u>\$ 240,140</u>

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

## Foundations (2)

2010	\$	2,022
2011		1,614
2012		1,438
2013		1,226
2014		1,046
Thereafter		6,220
Total	\$	<u>13,566</u>

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2009, was approximately \$1.8 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. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2009, amounted to \$3.9 billion.

## D. Tobacco Grants

The Tobacco Indemnification and Community Revitalization Commission (Commission) (nonmajor component unit) has \$143.0 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2009, in accordance with GASB Statement No. 33. The Commission awarded an additional \$34.8 million in grants in July 2009 that are also not reflected in these statements.

The Virginia Tobacco Settlement Foundation (nonmajor component unit) has \$20.0 million in grant commitments and outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2009, in accordance with GASB Statement No. 33.

## E. Other Commitments

The Virginia Land Conservation Foundation (nonmajor component unit) has \$5.0 million in grant award commitments, which were not dispersed since eligibility requirements were not met as of June 30, 2009, in accordance with GASB Statement No. 33.

The Virginia University Research Partnership (nonmajor component unit) has \$7.0 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2009, in accordance with GASB Statement No. 33.

The Virginia Small Business Financing Authority (nonmajor component unit) has \$2.5 million in loan commitments in the Federal Economic Development Loan Fund and in the Small Business Environmental Compliance Assistance Fund as of June 30, 2009, in accordance with GASB Statement No. 33.

## 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 to employees 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 24). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2009, 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. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, during fiscal year 2009.

The Commonwealth has pollution remediation obligations of \$2.5 million of which \$1.1 million is due within one year. With the exception of the Department of Environmental Quality (DEQ), agencies estimated future obligations based on professional consultant estimates and/or historical project expenses of similar projects; however, there is the potential for change in estimates due to price increase or reductions, technology, or applicable laws and regulations. Remediations for DEQ are not estimates but contractual obligations between the Commonwealth and the U.S. Environmental Protection Agency (EPA), and any change due to a reconciliation of incurred costs requires mutual consent and contract amendment.

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

Agencies involved in remediation include:

- Department of Environmental Quality (DEQ)
- Department of Transportation (VDOT)
- Department of Corrections (VADOC)
- Department of Juvenile Justice (DJJ)
- Jamestown-Yorktown Foundation (JYF)

DEQ anticipates that during the next year there may be new obligating events resulting in two new Superfund State Support contracts, estimated to increase the Virginia Environmental Emergency Response Fund obligation by \$6.0 million. A Facility Lead Agreement was signed between the EPA and VDOT to resolve an issue concerning the storage of lab wastewater in an outdoor lined surface impoundment that operated between 1979 and 1983 for which contamination is present in soil and groundwater. VDOT is expected to recover \$150,000 to offset remediation costs related to a contaminated groundwater site. VADOC was fined by the EPA in September/October 2003. VADOC proposed to conduct a Supplemental Environmental Project (SEP) which included the formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies. JYF and DJJ initiated pollution remediation projects to remove asbestos due to imminent endangerment.

The following pollution remediation outlays could not reasonably be estimated as of June 30, 2009:

- Department of Emergency Management (VDEM) relating to a fuel storage facility;
- Department of State Police (DSP) relating to asbestos abatement;
- Department of Corrections (VADOC) relating to soil and groundwater contamination, as well as dump site cleanups; and,
- Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS) relating to groundwater contamination.

## 21. 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, 2009, \$104.9 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.T. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	<b>Balance</b>	<b>Current</b>	<b>Claim</b>	<b>Balance</b>
	<b>July 1,</b>	<b>Year Claims</b>	<b>Payments</b>	<b>June 30, (1)</b>
	<b>in Estimates</b>	<b>and Changes</b>	<b>in Estimates</b>	
2008-2009	\$ 97,631	\$ 903,616	\$ (896,336)	\$ 104,911
2007-2008	\$ 90,736	\$ 863,346	\$ (856,451)	\$ 97,631

- (1) Of the balance shown above, \$104.9 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 the Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through

purchased insurance, self insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. At June 30, 2009, \$409.0 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of three percent. Undiscounted claims payable at June 30, 2009, is \$518.0 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:

	<b>Balance</b>	<b>Current</b>	<b>Claim</b>	<b>Balance</b>
	<b>July 1,</b>	<b>Year Claims</b>	<b>Payments</b>	<b>June 30, (1)</b>
	<b>in Estimates</b>	<b>and Changes</b>	<b>in Estimates</b>	
2008-2009	\$ 375,534	\$ 99,680	\$ (66,158)	\$ 409,056
2007-2008	\$ 281,489	\$ 154,558	\$ (60,513)	\$ 375,534

- (1) Of the balance shown above, \$62.3 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 of \$2,000,000 per occurrence recovery limit stated in Section 8.01-581.15 of the *Code of Virginia*. Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

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

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

### Estimated Malpractice Losses

	<u>Balance July 1,</u>	<u>Claims Expense</u>	<u>Claims Settled</u>	<u>Balance June 30, (1)</u>
2008-2009 \$	31,014	\$ 1,176	\$ (1,775)	\$ 30,415
2007-2008 \$	30,898	\$ 1,610	\$ (1,494)	\$ 31,014

- (1) Of the balance shown above, \$2.5 million is due within one year.

### Estimated Workers' Compensation Losses

	<u>Balance July 1,</u>	<u>Claims Expense</u>	<u>Claims Settled</u>	<u>Balance June 30, (1)</u>
2008-2009 \$	17,802	\$ 699	\$ (2,167)	\$ 16,334
2007-2008 \$	11,396	\$ 8,505	\$ (2,099)	\$ 17,802

- (1) Of the balance shown above, \$2.2 million is due within one year.

In addition, expenses and liabilities arising from services rendered to VA Premier's and Carolina Crescent Health Plan's (component units of the Authority) HMO members are reported when it is probable that services have been provided and the amount of the claim can be reasonably estimated. The claims payable includes an estimate of claims that have been incurred but not reported. At June 30, 2009 the amount of these liabilities is \$58,645,581 and is reported as Claims Payable – Due within One Year. This liability is VA Premier's best estimate based on available information.

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

Virginia International Terminals, Inc., a component unit of 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 \$125,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of \$5,205,857.

## 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 262 local government units participating in the pool. This includes 28 school districts, 34 counties, 97 cities/towns, and 103 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, 2009, \$23.6 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

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

The Department of the Treasury, Division of Risk Management administers risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Local participation is voluntary and open to any political subdivision. As of June 30, 2009, there were 542 units of local government in the pool, including 4 cities, 36 towns, and 32 counties. The remaining 470 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 30 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, 2009, \$13.7 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, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$ 19,211	\$ 16,549	\$ 14,072	\$ 13,450
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	211,904	184,578	448	1,413
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	(881)	(1,431)
Total Incurred Claims and Adjustment Expenses	211,904	184,578	(433)	(18)
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	207,508	181,916	300	493
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	-	-	-	-
Total Payments	207,508	181,916	300	493
Change in Provision for Discounts	-	-	321	308
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	\$ 23,607	\$ 19,211	\$ 13,660	\$ 13,247
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	\$ 23,607	\$ 19,211	\$ 14,550	\$ 14,072

Note (1): The entire balance for Local Choice Health Care, \$23,607 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, \$4,545 (dollars in thousands) is due within one year.

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

## 22. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2009.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
<b>Primary Government:</b>						
General	\$ 165,399	\$ 104,176	\$ 382	\$ -	\$ -	\$ 269,957
Major Special Revenue Funds:						
Commonwealth Transportation	184,330	36,762	3,562	-	-	224,654
Federal Trust	131,125	12,170	72	592	-	143,959
Literary	225	-	-	-	-	225
Nonmajor Governmental Funds	26,609	28,474	7,869	655	-	63,607
Major Enterprise Funds:						
State Lottery (2)	4,158	825	-	3,740	-	8,723
Virginia College Savings Plan (2)	601	334	-	1,545	-	2,480
Unemployment Compensation	278	-	-	-	-	278
Nonmajor Enterprise Funds	29,141	4,999	-	6	-	34,146
Internal Service Funds	77,412	3,390	-	-	-	80,802
Private Purpose	3,601	124	-	-	-	3,725
Pension and Other Employee Benefit Trust (3)	532	1,459	-	86,007	-	87,998
Agency Funds	2,153	4	-	9,048	-	11,205
<b>Total Primary Government (4)</b>	<u>\$ 625,564</u>	<u>\$ 192,717</u>	<u>\$ 11,885</u>	<u>\$ 101,593</u>	<u>\$ -</u>	<u>\$ 931,759</u>
<b>Discrete Component Units:</b>						
Virginia Housing Development Authority	\$ 2,101	\$ 2,197	\$ 150	\$ -	\$ -	\$ 4,448
Virginia Public School Authority	36	-	-	-	-	36
University of Virginia	124,533	62,784	6,380	1,429	40,488	235,614
Virginia Polytechnic Institute and State University	48,473	55,107	6,216	-	11,121	120,917
Virginia Commonwealth University	52,469	70,173	6,082	-	929	129,653
Nonmajor Component Units	192,065	157,123	37,586	7,134	16,749	410,657
<b>Total Component Units</b>	<u>\$ 419,677</u>	<u>\$ 347,384</u>	<u>\$ 56,414</u>	<u>\$ 8,563</u>	<u>\$ 69,287</u>	<u>\$ 901,325</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 \$46,708 (dollars in thousands) of other investment payables generally related to Futures and month-end rebalancing items, \$26,230 (dollars in thousands) in investment management expense, \$11,982 (dollars in thousands) in program benefit liabilities, and \$1,087 (dollars in thousands) of investment interest payable.

Note (4): Fiduciary liabilities of \$102,928 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, governmental fund liabilities of \$88,470 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

### 23. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2009.

	Primary Government				
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	State Lottery
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ 43,922
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	268,153	-	430,701	-	-
Family Access to Medical Insurance Security Payable	5,294	-	9,832	-	-
Tax Refunds Payable	476,525	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	2,162	4,869	-	2,885	-
Car Tax Payable	263,025	-	-	-	-
Other Liabilities	-	-	-	2,635	-
<b>Total Other Liabilities</b>	<b>\$ 1,015,159</b>	<b>\$ 4,869</b>	<b>\$ 440,533</b>	<b>\$ 5,520</b>	<b>\$ 43,922</b>

	Primary Government				
	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	177	46,625	-	-	206
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	-	-	179	250	-
Car Tax Refund Payable	-	-	-	-	-
Other Liabilities	-	-	68	5,281	-
<b>Total Other Liabilities</b>	<b>\$ 177</b>	<b>\$ 46,625</b>	<b>\$ 247</b>	<b>\$ 5,531</b>	<b>\$ 206</b>

**Primary Government**

	<b>Pension and Other Employee Benefit Trust Funds (1)</b>	<b>Agency Funds</b>	<b>Total Primary Government (2)</b>
Lottery Prizes Payable	\$ -	\$ -	\$ 43,922
Due to Program Participants, Escrows, and Providers	-	29,204	76,212
Medicaid Payable	-	-	698,854
Family Access to Medical Insurance Security Payable	-	-	15,126
Tax Refunds Payable	-	-	476,525
Insurance Carrier Surety Deposit	-	426,054	426,054
Deposits Pending Distribution	-	32,410	42,755
Car Tax Refund Payable	-	-	263,025
Other Liabilities	860,433	2,234	870,651
<b>Total Other Liabilities</b>	<b>\$ 860,433</b>	<b>\$ 489,902</b>	<b>\$ 2,913,124</b>

Note (1): Other Liabilities of \$860,433 (dollars in thousands) reported in pension and other employee benefit trust funds are made up of \$23,219 (dollars in thousands) in funds held for the Commonwealth Health Research Fund; \$4,725 (dollars in thousands) in other funds managed by the System; \$831,117 (dollars in thousands) in pending investment transactions, including \$797,844 (dollars in thousands) for investment overlay and swaps, \$30,489 (dollars in thousands) for securities lending, and \$2,784 (dollars in thousands) in other investment payables; and \$1,372 (dollars in thousands) in other payable related to the System benefit plans.

Note (2): Fiduciary liabilities of \$1,350,541 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. Governmental fund liabilities of \$264,848 (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	\$ 114,846	\$ 63,678	\$ 1,196	\$ 629	\$ 5,006
Other Liabilities	10,921	315	67,760	26,250	49,628
Deposits Pending Distribution	6,780	-	314,130	12,927	26,839
Short-term Debt	-	-	108,418	20,810	13,500
Grants Payable	-	-	-	-	-
<b>Total Other Liabilities</b>	<b>\$ 132,547</b>	<b>\$ 63,993</b>	<b>\$ 491,504</b>	<b>\$ 60,616</b>	<b>\$ 94,973</b>

**Component Units**

	<b>Nonmajor Component Units</b>	<b>Total Component Units</b>
Accrued Interest Payable	\$ 77,928	\$ 263,283
Other Liabilities	40,226	195,100
Deposits Pending Distribution	25,575	386,251
Short-term Debt	80,722	223,450
Grants Payable	7,730	7,730
<b>Total Other Liabilities</b>	<b>\$ 232,181</b>	<b>\$ 1,075,814</b>

## Medicaid Payable

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2009, the estimated liability related to Medicaid claims totaled \$698.9 million. Of this amount, \$268.2 million is reflected in the General Fund (major) and \$430.7 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, 2009, the estimated liability related to claims totaled \$15.1 million. Of this amount, \$5.3 million is reflected in the General Fund (major) and \$9.8 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, 2008, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2009. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

## Car Tax Refund Payable

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth assumed financial responsibility for a portion, ranging from 12.5 percent to 70.0 percent, of the personal property taxes assessed by localities.

During 2004, the General Assembly modified this legislation. Chapter 1 of Special Session 1 (2004) established a \$950.0 million limit on the amount the Commonwealth would appropriate for personal property tax relief, beginning in tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the \$950.0 million, with payments to begin on or after July 1, 2006 (fiscal year 2007). The accrued liability amount of \$263.0 million reflects payments owed to localities as of June 30 and paid in July.

## Short-term Debt

Various higher education institutions' foundations (component units) have short-term debt. University of Virginia Foundations (major component unit) report \$52.0 million and nonmajor component unit foundations report \$14.7 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 \$56.4 million and the Virginia Polytechnic Institute and State University (major component unit) reports \$20.8 million of commercial paper that provides bridge financing for capital projects. The Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University) reports short-term debt of \$13.5 million to meet certain cash reserve requirements. The Virginia Horse Center Foundation (nonmajor component unit) has a \$60,000 note with a related party. The Virginia Port Authority (nonmajor component unit) reported a \$65.9 million short-term Port Facilities Bond Anticipation Note Series 2009.

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

## 24. 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). 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.

**Total Long-term Liabilities**  
June 30, 2009

<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)	\$ 12,695	\$ 5,715
9(b) Public Facilities (3)	1,027,941	76,679
9(c) Parking Facilities (3)	6,526	1,047
9(c) Transportation Facilities (3)	30,358	1,900
Total General Obligation Bonds	<u>1,077,520</u>	<u>85,341</u>
<b>Nongeneral Obligation Bonds - 9(d):</b>		
Transportation Debt (3) (4)	1,457,296	176,790
Virginia Public Building Authority (3)	2,092,662	136,090
Total Nongeneral Obligation Bonds	<u>3,549,958</u>	<u>312,880</u>
<b>Other Long-term Obligations:</b>		
Pension Liability	989,517	-
OPEB Liability	117,604	-
Compensated Absences	336,072	162,720
Capital Lease Obligations	102,913	10,154
Pollution Remediation Obligations	2,472	1,094
Regional Jail Financing Payable	8,231	1,786
Notes Payable	97,017	3,126
Installment Purchase Obligations	61,966	6,581
Industrial Development Authority Obligations	10,025	4,875
Economic Development Authority Obligations (3)	93,442	3,515
Other Liabilities	22,302	3,800
Total Other Long-term Obligations	<u>1,841,561</u>	<u>197,651</u>
Total Governmental Activities (3)	<u>6,469,039</u>	<u>595,872</u>
Business-type Activities: (1) (5)		
<b>Other Long-term Obligations:</b>		
Pension Liability	21,368	-
OPEB Liability	2,973	-
Compensated Absences	8,955	4,533
Capital Lease Obligations	1,919	547
Installment Purchase Obligations	964	777
Tuition Benefits Payable	1,909,786	129,621
Lottery Prizes Payable	293,165	61,062
Total Other Long-term Obligations	<u>2,239,130</u>	<u>196,540</u>
Total Business-type Activities	<u>2,239,130</u>	<u>196,540</u>
<b>Total Primary Government</b>	<u>8,708,169</u>	<u>792,412</u>

**Total Long-term Liabilities**

June 30, 2009

<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)	573,550	40,832
<b>Nongeneral Obligation Bonds:</b>		
Higher Education Institutions - 9(d) (3) (5)	1,356,659	23,840
Virginia College Building Authority (3)	1,203,701	96,746
Innovative Technology Authority	5,415	935
Virginia Port Authority (3) (6)	424,427	11,818
Virginia Housing Development Authority (3)	6,754,384	309,239
Virginia Resources Authority (3) (7)	2,466,426	75,882
Virginia Public School Authority (3) (5)	3,258,258	208,237
Hampton Roads Sanitation District Commission (5)	360,136	12,967
Virginia Biotechnology Research Park Authority (3) (8)	46,974	2,758
Foundations (5) (9)	853,831	16,360
Total Nongeneral Obligation Bonds	<u>16,730,211</u>	<u>758,782</u>
<b>Other Long-term Obligations:</b>		
Pension Liability (10)	420,996	-
OPEB Liability (11)	121,736	-
Compensated Absences	237,832	156,557
Capital Lease Obligations	113,687	8,188
Notes Payable (5)	1,649,031	234,801
Installment Purchase Obligations	156,236	18,585
Trust and Annuity Obligations (5) (12)	1,106	-
Other Liabilities (5)	300,535	61,487
Total Other Long-term Obligations (Excluding Foundations)	<u>3,001,159</u>	<u>479,618</u>
<b>Other Long-term Obligations (Foundations): (5) (9)</b>		
Pension Liability	62,020	-
OPEB Liability	7	-
Compensated Absences	9,548	5,746
Capital Lease Obligations	3,906	366
Notes Payable	210,740	16,795
Installment Purchase Obligations	12	11
Trust and Annuity Obligations (12)	73,061	2,877
Other Liabilities	80,938	5,805
Total Other Long-term Obligations - Foundations	<u>440,232</u>	<u>31,600</u>
Total Other Long-term Obligations	<u>3,441,391</u>	<u>511,218</u>
<b>Total Component Units</b>	<u>20,745,152</u>	<u>1,310,832</u>
<b>Total Long-term Liabilities</b>	<u>\$ 29,453,321</u>	<u>\$ 2,103,244</u>

- Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
- Total general obligation debt of the Commonwealth is \$1.65 billion.
- Amounts are net of any unamortized discounts, premiums, and deferrals.
- This debt includes \$548.7 million that is not supported by taxes.
- This debt is not supported by taxes.
- This debt includes \$224 million that is not supported by taxes.
- This debt is not supported by taxes; however, \$726.4 million from VRA is considered moral obligation debt.
- This debt includes \$1.6 million that is not supported by taxes.
- Foundations represent FASB reporting entities defined in Note 1.B.
- This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of \$5.1 million and Virginia Port Authority of \$5.8 million. It does not include pension obligations from fiduciary funds of \$5.5 million.
- This includes OPEB obligations that do not relate to the Virginia Retirement System from University of Virginia of \$7.6 million, Hampton Roads Sanitation District Commission of \$1.0 million, and Virginia Port Authority of \$85,079. It does not include OPEB obligations from fiduciary funds of \$892,315.
- 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 \$12,695,598 of Section 9(b) general obligation bonds, \$30,358,010 of Section 9(c) general obligation bonds and \$908,600,722 of Section 9(d) revenue bonds. The Transportation Facilities Section 9(d) debt of \$1,457,295,750 includes \$548,695,028 of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes in addition to the outstanding Section 9(d) revenue bonds. 9(b) Principal and interest requirements for the current year totaled \$6,272,000. 9(c) Principal and interest requirements for the current year totaled \$37,691,106. 9(d) Principal and interest requirements for the current year totaled \$233,549,494. 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.

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
2010	\$ 1,900,000	\$ 1,288,600	\$ 3,188,600
2011	1,975,000	1,212,600	3,187,600
2012	2,080,000	1,113,850	3,193,850
2013	2,185,000	1,009,850	3,194,850
2014	2,290,000	900,600	3,190,600
2015-2019	13,115,000	2,837,750	15,952,750
2020-2024	6,015,000	363,200	6,378,200
Less:			
Deferral on Debt Defeasance	(66,800)	-	(66,800)
Add:			
Unamortized Premium	864,810	-	864,810
Total	<u>\$ 30,358,010</u>	<u>\$ 8,726,450</u>	<u>\$ 39,084,460</u>

Maturity	Principal	Interest	Total
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	145,655,000	38,593,144	184,248,144
2014	89,095,000	32,987,930	122,082,930
2015-2019	405,995,483	100,658,271	506,653,754
2020-2024	182,515,473	29,655,856	212,171,329
2025-2029	41,345,534	2,472,500	43,818,034
2030-2034	5,457,177	-	5,457,177
Less:			
Deferral on Debt Defeasance	(3,817,300)	-	(3,817,300)
Add:			
Accretion on Capital Appreciation Bonds	14,526,062	-	14,526,062
Unamortized Premium	73,243,321	-	73,243,321
Total	<u>\$ 1,457,295,750</u>	<u>\$ 366,121,634</u>	<u>\$ 1,823,417,384</u>

**Fairfax Economic Development Authority Obligations**

In fiscal year 2006, the Fairfax County Economic Development Authority (EDA) issued Section 9(d) revenue bonds to pay for the Commonwealth's (VDOT) costs of the planning, design and construction of a transportation infrastructure and related public safety operations complex to be developed on the contiguous sites in the county commonly referred to as "Camp 30" for the joint use of VDOT and the county. 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. The principal and interest requirements for current year totaled \$7,825,688. The following schedule details the annual funding requirements necessary to repay these bonds:

9(b) TRANSPORTATION FACILITIES BONDS  
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2010	\$ 5,715,000	\$ 586,250	\$ 6,301,250
2011	6,010,000	300,500	6,310,500
Less:			
Deferral on Debt Defeasance	(236,600)	-	(236,600)
Add:			
Unamortized Premium	1,207,198	-	1,207,198
Total	<u>\$ 12,695,598</u>	<u>\$ 886,750</u>	<u>\$ 13,582,348</u>

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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	4,070,000	3,759,438	7,829,438
2014	4,270,000	3,555,937	7,825,937
2015-2019	24,790,000	14,354,437	39,144,437
2020-2024	31,145,000	7,996,575	39,141,575
2025-2026	14,625,000	1,030,850	15,655,850
Add:			
Unamortized Premium	3,461,650	-	3,461,650
<b>Total</b>	<b>\$ 93,441,650</b>	<b>\$ 43,101,550</b>	<b>\$ 136,543,200</b>

**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, Series 2007A, Series 2007B, Series 2008A, Series 2008B Refunding, and Series 2009A. 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. The Series 2009 Bonds were issued to advance refund outstanding Series 1998 bonds. Principal and interest requirements for the current year totaled \$114,661,076. 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 25, 2009. 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>
2010	\$ 76,678,685	\$ 45,545,942	\$ 122,224,627
2011	76,545,309	42,481,907	119,027,216
2012	76,356,071	38,948,204	115,304,275
2013	76,142,178	35,281,196	111,423,374
2014	71,100,000	31,671,313	102,771,313
2015-2019	269,495,000	112,946,888	382,441,888
2020-2024	229,805,000	55,893,506	285,698,506
2025-2029	107,955,000	11,115,094	119,070,094
Less:			
Deferral on Debt Defeasance	(7,456,300)	-	(7,456,300)
Add:			
Unamortized Premium	51,319,806	-	51,319,806
<b>Total</b>	<b>\$ 1,027,940,749</b>	<b>\$ 373,884,050</b>	<b>\$ 1,401,824,799</b>

**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 \$1,357,202.

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>
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	270,000	191,000	461,000
2014	280,000	177,500	457,500
2015-2019	1,490,000	672,000	2,162,000
2020-2024	1,860,000	270,200	2,130,200
Less:			
Deferral on Debt Defeasance	(176,500)	-	(176,500)
Add:			
Unamortized Premium	427,943	-	427,943
<b>Total</b>	<b>\$ 6,526,530</b>	<b>\$ 2,076,359</b>	<b>\$ 8,602,889</b>

**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, 2006B, 2007A, 2008A Refunding, 2008B, 2009A, 2009B, 2009C, and 2009D Refunding. All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The Series 2008A bonds were issued to advance refund outstanding series 1998A Refunding bonds. The Series 2009D bonds were issued to advance refund outstanding series 2001A and 2002A Revenue 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 June 3, 2009. 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 \$202,524,429. The following schedule details the annual funding requirements necessary to repay these bonds:

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 136,090,000	\$ 86,410,056	\$ 222,500,056
2011	151,085,000	84,742,413	235,827,413
2012	150,515,000	77,818,259	228,333,259
2013	151,825,000	70,535,563	222,360,563
2014	141,745,000	63,363,834	205,108,834
2015-2019	599,135,000	220,069,861	819,204,861
2020-2024	384,625,000	106,934,181	491,559,181
2025-2029	273,860,000	29,885,150	303,745,150
2030-2034	16,345,000	399,063	16,744,063
Deferral on Debt Defeasance	(26,517,882)	-	(26,517,882)
Unaccreted Capital Appreciation			
Bonds	(582,905)	-	(582,905)
Add:			
Unamortized Premium	114,537,529	-	114,537,529
Total	<u>\$ 2,092,661,742</u>	<u>\$ 740,158,380</u>	<u>\$ 2,832,820,122</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. Current year principal and interest requirements totaled \$2,633,789.

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

**REGIONAL JAILS FINANCING**  
**Financial Obligations to Maturity**

<i>Calendar Year Obligations</i>	<i>Capital Costs</i>	<i>Financing Costs</i>	<i>Total</i>
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	1,911,009	725,511	2,636,520
2014	837,165	(646,926)	190,239
Total	<u>\$ 8,230,707</u>	<u>\$ 2,500,745</u>	<u>\$ 10,731,452</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 \$5,269,797. The following schedule details the annual funding requirements necessary to repay these bonds:

**NEWPORT NEWS INDUSTRIAL DEVELOPMENT AUTHORITY**  
**Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 4,875,000	\$ 417,313	\$ 5,292,313
2011	5,150,000	141,625	5,291,625
Total	<u>\$ 10,025,000</u>	<u>\$ 558,938</u>	<u>\$ 10,583,938</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	\$ 1,077,484
College and university debt backed exclusively by pledged revenues of an institution	<u>279,175</u>
Total Higher Education Institution 9(d) debt	<u>\$ 1,356,659</u>

The interest rates for these bonds range from 0.32 percent to 9.25 percent and the issuance dates range from June 30, 1979 to November 25, 2008. The VCBA Series 2006B and 2006C bonds, the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University) Series 2005 and 2008 bonds, and the UVA Series 2003A bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds:

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

Maturity	Principal	Interest	Total
2010	\$ 40,094,331	\$ 26,920,092	\$ 67,014,423
2011	38,143,589	25,124,998	63,268,587
2012	34,823,929	23,274,046	58,097,975
2013	35,512,821	21,545,704	57,058,525
2014	30,705,000	19,829,788	50,534,788
2015-2019	146,665,000	76,299,682	222,964,682
2020-2024	127,345,000	44,349,325	171,694,325
2025-2029	90,075,000	15,962,269	106,037,269
2030-2034	20,835,000	2,770,725	23,605,725
2035-2039	2,685,000	258,875	2,943,875
Deferral on Debt Defeasance	(8,012,900)	-	(8,012,900)
Add:			
Unamortized Premium	14,677,795	-	14,677,795
Total	<u>\$ 573,549,565</u>	<u>\$ 256,335,504</u>	<u>\$ 829,885,069</u>

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

Maturity	Principal	Interest	Total
2010	\$ 23,856,067	\$ 38,902,228	\$ 62,758,295
2011	24,514,726	38,075,123	62,589,849
2012	25,478,496	37,208,604	62,687,100
2013	26,492,380	36,223,320	62,715,700
2014	26,376,381	35,169,190	61,545,571
2015-2019	124,166,285	159,065,168	283,231,453
2020-2024	119,531,936	135,200,090	254,732,026
2025-2029	119,300,000	116,521,486	235,821,486
2030-2034	186,665,000	101,120,666	287,785,666
2035-2039	341,290,000	68,061,678	409,351,678
2040-2044	330,915,000	254,045,750	584,960,750
Less:			
Deferral on Debt Defeasance	(9,365,798)	-	(9,365,798)
Add:			
Unamortized Premium	17,438,965	-	17,438,965
Total	<u>\$ 1,356,659,438</u>	<u>\$ 1,019,593,303</u>	<u>\$ 2,376,252,741</u>

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

Maturity	Principal	Interest	Total
2010	\$ 93,315,000	\$ 45,523,052	\$ 138,838,052
2011	86,905,000	46,022,393	132,927,393
2012	78,165,000	42,100,833	120,265,833
2013	63,125,000	38,568,809	101,693,809
2014	65,970,000	35,790,402	101,760,402
2015-2019	321,985,000	134,248,671	456,233,671
2020-2024	278,890,000	68,460,328	347,350,328
2025-2029	161,315,000	19,967,759	181,282,759
Less:			
Deferral on Debt Defeasance	(5,526,600)	-	(5,526,600)
Add:			
Unamortized Premium	59,557,435	-	59,557,435
Total	<u>\$ 1,203,700,835</u>	<u>\$ 430,682,247</u>	<u>\$ 1,634,383,082</u>

Various higher education institutions' foundations (component units) and a museum foundation (component unit) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. The following schedule details the future principal payments:

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

Maturity	Principal
2010	\$ 16,361,251
2011	13,786,887
2012	14,535,907
2013	16,233,817
2014	28,486,360
Thereafter	<u>762,461,279</u>
Mark-to-market estimate of bank swap transactions	1,965,604
Total	<u>\$ 853,831,105</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
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	1,155,000	178,600	1,333,600
2014	1,220,000	91,744	1,311,744
Total	\$ 5,415,000	\$ 1,275,016	\$ 6,690,016

## 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
2010	\$ 11,205,000	\$ 22,694,675	\$ 33,899,675
2011	11,760,000	21,426,491	33,186,491
2012	12,330,000	19,870,508	32,200,508
2013	12,935,000	19,280,908	32,215,908
2014	13,575,000	18,659,301	32,234,301
2015-2019	70,905,000	82,594,712	153,499,712
2020-2024	82,260,000	63,717,259	145,977,259
2025-2029	95,310,000	41,469,492	136,779,492
2030-2034	63,715,000	20,504,485	84,219,485
2035-2039	40,365,000	5,055,163	45,420,163
Less:			
Deferral on Debt Defeasance	(1,031,858)	-	(1,031,858)
Add:			
Unamortized Premium	11,098,426	-	11,098,426
Total	\$ 424,426,568	\$ 315,272,994	\$ 739,699,562

## 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 17, 2009. 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
2010	\$ 309,238,820	\$ 338,349,280	\$ 647,588,100
2011	258,470,000	326,677,853	585,147,853
2012	284,140,000	315,798,754	599,938,754
2013	277,985,000	303,749,550	581,734,550
2014	277,210,000	291,430,760	568,640,760
2015-2019	1,373,445,000	1,259,816,499	2,633,261,499
2020-2024	1,246,475,000	911,358,134	2,157,833,134
2025-2029	1,072,315,000	599,901,109	1,672,216,109
2030-2034	891,778,097	340,625,961	1,232,404,058
2035-2039	669,365,057	128,633,852	797,998,909
2040-2044	71,985,000	7,561,428	79,546,428
Add:			
Unamortized Premium	21,977,000	-	21,977,000
Total	\$ 6,754,383,974	\$ 4,823,903,180	\$ 11,578,287,154

## 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 April 15, 2009. 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
2010	\$ 67,825,000	\$ 108,766,780	\$ 176,591,780
2011	85,030,000	107,378,537	192,408,537
2012	99,545,000	103,654,873	203,199,873
2013	110,745,000	99,227,867	209,972,867
2014	116,205,000	94,421,927	210,626,927
2015-2019	635,925,000	389,063,633	1,024,988,633
2020-2024	536,670,000	249,077,469	785,747,469
2025-2029	455,940,000	130,735,503	586,675,503
2030-2034	226,090,000	45,754,921	271,844,921
2035-2039	98,315,000	9,124,500	107,439,500
2040-2044	1,345,000	65,525	1,410,525
Less:			
Unaccreted Capital Appreciation Bonds	(45,623,851)	-	(45,623,851)
Add:			
Unamortized Premium	78,414,412	-	78,414,412
Total	\$ 2,466,425,561	\$ 1,337,271,535	\$ 3,803,697,096

## Virginia Public School Authority

The Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.0 percent to 6.0 percent, and the origination dates range from November 20, 1997, to May 7, 2009. 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
2010	\$ 208,370,000	\$ 151,099,270	\$ 359,469,270
2011	217,235,000	142,404,273	359,639,273
2012	216,180,000	131,764,007	347,944,007
2013	204,110,000	121,463,860	325,573,860
2014	201,160,000	111,668,541	312,828,541
2015-2019	944,132,063	414,091,697	1,358,223,760
2020-2024	732,010,000	207,337,947	939,347,947
2025-2029	420,425,000	67,115,394	487,540,394
2030-2034	82,920,000	11,835,825	94,755,825
2035-2039	13,280,000	967,025	14,247,025
Less:			
Deferral on Debt Defeasance	(38,523,700)	-	(38,523,700)
Add:			
Unamortized Premium	56,959,724	-	56,959,724
Total	<u>\$ 3,258,258,087</u>	<u>\$ 1,359,747,839</u>	<u>\$ 4,618,005,926</u>

## 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 range 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
2010	\$ 12,967,000	\$ 15,071,000	\$ 28,038,000
2011	13,499,000	14,549,000	28,048,000
2012	13,952,000	14,038,000	27,990,000
2013	14,864,000	15,239,000	30,103,000
2014	15,337,000	14,652,000	29,989,000
2015-2019	60,789,000	64,432,000	125,221,000
2020-2024	55,389,000	52,873,000	108,262,000
2025-2029	58,066,000	38,763,000	96,829,000
2030-2034	58,789,000	23,475,000	82,264,000
2035-2039	56,484,000	7,234,000	63,718,000
Total	<u>\$ 360,136,000</u>	<u>\$ 260,326,000</u>	<u>\$ 620,462,000</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 BIOTECH RESEARCH AUTHORITY  
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2010	\$ 2,730,000	\$ 2,266,069	\$ 4,996,069
2011	2,860,000	2,146,894	5,006,894
2012	3,005,000	2,010,057	5,015,057
2013	3,175,000	1,851,800	5,026,800
2014	3,355,000	1,682,829	5,037,829
2015-2019	18,285,000	5,681,646	23,966,646
2020-2024	13,225,000	1,014,375	14,239,375
Add:			
Unamortized Premium	339,227	-	339,227
Total	<u>\$ 46,974,227</u>	<u>\$ 16,653,670</u>	<u>\$ 63,627,897</u>

Total principal outstanding at June 30, 2009, on all component unit bonds amounted to \$17.3 billion.

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

Total principal outstanding at June 30, 2009, of the Industrial Development Revenue Bonds is \$539.1 million.

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

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

(Dollars in Thousands)

	<b>Balance July 1, 2008 (as restated)</b>	<b>Issuances and Other Increases</b>	<b>Retirements and Other Decreases</b>	<b>Subtotal June 30, 2009</b>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
<b>Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds (3)	\$ 877,400	\$ 205,458	\$ (98,781)	\$ 984,077
Parking Facilities Bonds (3)	7,275	-	(1,000)	6,275
Transportation Facilities Bonds (3)	76,124	-	(34,839)	41,285
Add: Unamortized Premium	51,644	8,114	(5,939)	53,819
Less: Unamortized Discount	(183)	183	-	-
Deferral on Debt Defeasance	(10,271)	3,204	(869)	(7,936)
Total General Obligation Bonds	<u>1,001,989</u>	<u>216,959</u>	<u>(141,428)</u>	<u>1,077,520</u>
<b>Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
Transportation Facilities Bonds (3)	1,536,304	-	(162,960)	1,373,344
Virginia Public Building Authority Bonds (3)	1,664,445	508,740	(167,960)	2,005,225
Regional Jails Financing Payable	9,980	-	(1,749)	8,231
Industrial Development Authority Obligations	14,640	-	(4,615)	10,025
Economic Development Authority Obligations (3)	93,325	-	(3,345)	89,980
Add: Unamortized Premium	172,645	38,233	(19,635)	191,243
Accretion on Capital Appreciation Bonds	12,049	2,477	-	14,526
Less: Unamortized Discount	(2,117)	1,535	-	(582)
Deferral on Debt Defeasance	(34,400)	8,861	(4,797)	(30,336)
Installment Purchase Obligations	54,761	21,833	(14,628)	61,966
Notes Payable - Virginia Public Broadcasting Board	8,520	-	(2,690)	5,830
Notes Payable - Transportation	12,325	-	(4,325)	8,000
Notes Payable - Aviation	2,195	-	(286)	1,909
Notes Payable - Tax Refund (5)	-	81,278	-	81,278
Compensated Absences	345,361	3,872	(13,161)	336,072
Capital Lease Obligations	113,477	2,483	(13,047)	102,913
Pension Liability	878,579	110,940	(2)	989,517
OPEB Liability	57,473	60,131	-	117,604
Pollution Remediation Liability (6)	2,997	-	(525)	2,472
Other	20,203	5,293	(3,194)	22,302
Total Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	<u>4,962,762</u>	<u>845,676</u>	<u>(416,919)</u>	<u>5,391,519</u>
<b>Total Governmental Activities</b>	<u>5,964,751</u>	<u>1,062,635</u>	<u>(558,347)</u>	<u>6,469,039</u>
<b>Business-type Activities:</b>				
<b>Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
Installment Purchase Obligations	1,735	-	(771)	964
Capital Lease Obligations	2,347	-	(428)	1,919
<b>Obligations:</b>				
Compensated Absences	8,761	1,936	(1,742)	8,955
Pension Liability	18,887	2,481	-	21,368
OPEB Liability	1,551	1,422	-	2,973
Lottery Prizes Payable	332,726	5,734	(45,295)	293,165
Tuition Benefits Payable	1,891,424	104,447	(86,085)	1,909,786
<b>Total Business-type Activities</b>	<u>2,257,431</u>	<u>116,020</u>	<u>(134,321)</u>	<u>2,239,130</u>
<b>Total Primary Government</b>	<u>\$ 8,222,182</u>	<u>\$ 1,178,655</u>	<u>\$ (692,668)</u>	<u>\$ 8,708,169</u>

<u>Foundations (4)</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
\$ -	\$ 984,077	\$ 76,679
-	6,275	1,047
-	41,285	7,615
-	53,819	-
-	-	-
-	(7,936)	-
-	<u>1,077,520</u>	<u>85,341</u>
-	1,373,344	176,790
-	2,005,225	136,090
-	8,231	1,786
-	10,025	4,875
-	89,980	3,515
-	191,243	-
-	14,526	-
-	(582)	-
-	(30,336)	-
-	61,966	6,581
-	5,830	2,840
-	8,000	-
-	1,909	286
-	81,278	-
-	336,072	162,720
-	102,913	10,154
-	989,517	-
-	117,604	-
-	2,472	1,094
-	<u>22,302</u>	<u>3,800</u>
-	5,391,519	510,531
-	<u>6,469,039</u>	<u>595,872</u>
-	964	777
-	1,919	547
-	8,955	4,533
-	21,368	-
-	2,973	-
-	293,165	61,062
-	<u>1,909,786</u>	<u>129,621</u>
-	<u>2,239,130</u>	<u>196,540</u>
<u>\$ -</u>	<u>\$ 8,708,169</u>	<u>\$ 792,412</u>

Continued on next page

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

*(continued)*

*(Dollars in Thousands)*

	<b>Balance July 1, 2008 (as restated)</b>	<b>Issuances and Other Increases</b>	<b>Retirements and Other Decreases</b>	<b>Subtotal June 30, 2009</b>
<b>Component Units</b>				
<b>Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
General Obligation Bonds - Higher Education 9(c) (3)	\$ 487,296	\$ 152,783	\$ (66,529)	\$ 573,550
<b>Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
Bonds (3)	14,674,378	2,803,478	(1,601,476)	15,876,380
Installment Purchase Obligations (7)	119,242	66,150	(29,156)	156,236
Capital Lease Obligations	136,773	2,598	(25,684)	113,687
Notes Payable	1,293,035	651,370	(295,374)	1,649,031
Compensated Absences	229,910	190,783	(182,861)	237,832
Pension Liability	358,881	63,397	(1,282)	420,996
OPEB Liability	62,185	59,553	(2)	121,736
Trust and Annuity Obligations	1,003	103	-	1,106
Other	262,668	195,964	(158,097)	300,535
<b>Total Component Units</b>	<b>\$ 17,625,371</b>	<b>\$ 4,186,179</b>	<b>\$ (2,360,461)</b>	<b>\$ 19,451,089</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.
- (5) No proceeds received relate to the tax refund note.
- (6) Beginning balance was increased as a result of the implementation of GASB Statement No. 49.
- (7) Beginning balance was increased as a result of the College of William and Mary not reporting an installment purchase obligation in the prior year.

<u>Foundations (4)</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
\$ -	\$ 573,550	\$ 40,832
853,831	16,730,211	758,782
12	156,248	18,596
3,906	117,593	8,554
210,740	1,859,771	251,596
9,548	247,380	162,303
62,020	483,016	-
7	121,743	-
73,061	74,167	2,877
80,938	381,473	67,292
<u>\$ 1,294,063</u>	<u>\$ 20,745,152</u>	<u>\$ 1,310,832</u>

## Bond Defeasance

### Primary Government

In November 2008, the Commonwealth issued \$270,865,000 of General Obligation Bonds, Series 2008B, \$52,150,000 of which were for the purpose of refunding certain outstanding maturities ("Refunding Bonds"), pursuant to Sections 9(b) and 9(c) of Article X of the *Constitution*, with a true interest cost (TIC) of 4.3974 percent to refund \$52,600,000 of outstanding Commonwealth of Virginia General Obligation Refunding Bonds, Series 1998 (the "Refunded Bonds"). The net proceeds from the sale of the Refunding Bonds of \$53,974,604 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$1,374,605. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. It will, however, reduce total debt service payments over the next six years by \$2,142,922 resulting in an economic gain of \$1,892,480 discounted at the rate of 3.5979 percent.

In June 2009, the Virginia Public Building Authority (blended component unit) issued \$42,745,000 of Series 2009D Public Facilities Revenue Refunding Bonds. The bonds refunded with the Series 2009D refunding bonds were \$21,640,000 of Series 2001A Public Facilities Revenue Refunding Bonds and \$21,575,000 of Series 2002A Public Facilities Revenue Refunding Bonds. The net proceeds of \$48,012,329 were deposited with escrow agents to provide for future debt service on the defeased bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$4,797,329. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. Total debt service payments over the life of the bonds will be reduced by \$1,948,153 resulting in an economic gain of \$1,730,522 discounted at the rate of 3.22 percent.

### Component Units

In April 2009, the Virginia College Building Authority (nonmajor) issued \$12,945,000 of Series 2009C 21<sup>st</sup> Century College Program refunding bonds. The bonds refunded with the series 2009C refunding bonds were \$3,805,000 of series 1999, \$4,710,000 of series 2001, and \$4,450,000 of series 2002A 21<sup>st</sup> Century College Program bonds. The net proceeds from the sale of the refunding bonds of \$13,806,649 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 \$781,000. Total debt service payments over the next 6 years will be reduced by \$464,148 resulting in a present value savings of \$458,610 discounted at the rate of 4.08 percent.

During the fiscal year, the Virginia Resources Authority (nonmajor) issued refunding bonds series 2009A and 2008B. The bonds that were refunded or partially refunded were \$2,060,000 of series 1997F, \$1,920,000 of series 1998B, \$13,185,000 of series 1998D, \$10,410,000 of series 2001A, and \$19,260,000 of series 2001D. The refunding resulted in an economic gain of \$2,898,048. A portion of the proceeds from the series 2009A bonds were also used to restructure some debt to extend certain maturity dates. The bonds that were restructured and are considered to be defeased were \$6,435,000 of series 2001A and 2003, \$1,265,000 of series 2001, \$54,000,000 of series 2001B, 2001E, 2002D, 2002E, 2003B, 2003, 2004A, and 2004B, and \$515,000 of series 2003C. This refunding resulted in an economic loss of \$6,114,808.

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, 2009, there were \$244.6 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 \$632.9 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. Governmental issuers may elect to pay a penalty in lieu of rebate. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Although rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding, and consistent with modified accrual basis of accounting, is not recognized as a liability in governmental funds until amounts actually become due and payable, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2009,

the Commonwealth has recognized a government-wide liability of \$218,569 and the Virginia Resources Authority (nonmajor component unit) has recognized a liability of \$3,186,799.

Amounts remitted to the federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or nongeneral fund appropriations to satisfy any rebate liability. During the year, the Virginia College Building Authority (nonmajor component unit) remitted \$1,354 to the federal government for rebate liability on its Series 2003A Pooled Bond Program issue. No rebate payments were owed during the year on the Commonwealth's general obligation bonds or bonds of the Virginia Public Building Authority.

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, \$24,437 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, 2009, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2010	\$ 17,608	\$ 547	\$ 12,845
2011	17,246	560	11,362
2012	16,391	575	10,148
2013	15,892	589	10,124
2014	14,681	-	9,446
2015-2019	48,094	-	35,193
2020-2024	14,965	-	26,258
2025-2029	414	-	25,159
2030-2034	-	-	18,500
2035-2039	-	-	720
2040-2044	-	-	661
2045-2049	-	-	1,569
Total Gross Minimum Lease Payments	145,291	2,271	161,985
Less: Amount Representing Executory Costs	9,262	-	5
Net Minimum Lease Payments	136,029	2,271	161,980
Less: Amount Representing Interest	33,116	352	48,293
Present Value of Net Minimum Lease Payments	\$ 102,913	\$ 1,919	\$ 113,687

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

	Foundations (2)
2010	\$ 366
2011	355
2012	290
2013	276
2014	276
Thereafter	5,382
Net Minimum Lease Payments	6,945
Less: Amount Representing Interest	3,039
Present Value of Net Minimum Lease Payments	\$ 3,906

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Land purchased under a capital lease for approximately \$3.7 million is not included in the schedule below.

At June 30, 2009, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
<b>Governmental Activities:</b>			
Gross Capital Assets	\$ 192,891	\$ 1,711	\$ 194,602
Less: Accumulated Depreciation	64,492	697	65,189
<b>Total Governmental Activities</b>	<b>\$ 128,399</b>	<b>\$ 1,014</b>	<b>\$ 129,413</b>
<b>Business-Type Activities:</b>			
Gross Capital Assets	\$ 2,347	\$ -	\$ 2,347
Less: Accumulated Depreciation	391	-	391
<b>Total Business-Type Activities</b>	<b>\$ 1,956</b>	<b>\$ -</b>	<b>\$ 1,956</b>
<b>Component Units:</b>			
Gross Capital Assets	\$ 161,388	\$ 26,709	\$ 188,097
Less: Accumulated Depreciation	21,341	19,473	40,814
Subtotal (excluding Foundations)	140,047	7,236	147,283
Foundations:			
Gross Capital Assets	-	567	567
Less: Accumulated Depreciation	-	324	324
Subtotal Foundations	-	243	243
<b>Total Component Units</b>	<b>\$ 140,047</b>	<b>\$ 7,479</b>	<b>\$ 147,526</b>

**Notes Payable**

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

<b>Primary Government</b>	
Transportation Note	\$ 8,000
Virginia Public Broadcasting Board Note	5,830
Aviation Note	1,909
Installment Notes	62,930
Tax Refund Note	81,278
<b>Total Primary Government</b>	<u>159,947</u>
<b>Component Units</b>	
Virginia Public School Authority	172,160
Virginia Housing Development Authority	122,605
University of Virginia	57,096
Virginia Polytechnic Institute and State University	119,223
Virginia Commonwealth University	222,451
Nonmajor Component Units	955,496
Installment Notes	156,236
Subtotal (excluding Foundations)	<u>1,805,267</u>
Foundations:	
Notes Payable	210,740
Installment Notes	<u>12</u>
Subtotal - Foundations	<u>210,752</u>
<b>Total Component Units</b>	<u>2,016,019</u>
<b>Total Notes Payable</b>	<u>\$ 2,175,966</u>

The Transportation (primary government) Note listed above represents 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 (primary government) 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 Tax Refund (primary government) Note listed above of \$81,278,205 is owed to a taxpayer and will be paid in four equal annual installments. Variable interest

not to exceed 4.0 percent will be included in the annual payments.

The Virginia Public School Authority (major component unit) notes of \$172,160,000 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).

The Virginia Housing Development Authority (major component unit) has notes payable of \$122,605,000. The \$122,605,000 is a credit agreement with the Federal Home Loan Bank of Atlanta. The proceeds along with the bond proceeds are used to make mortgage loans.

The Virginia Resources Authority (nonmajor component unit) notes of \$28,847,600 are Equipment and Term Financing loans.

An additional amount of \$1,325,418,691 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 VCBA principal amount net of unamortized accruals is \$1,312,042,691. Interest rates range from 2.10 percent to 5.75 percent and shall be paid semi-annually. The final principal payment is due in 2039. The Virginia Biotechnology Research Partnership Authority has notes payable in the amount of \$9,848,098 used for refunding the 1998 bonds issued for Biotech One, making tenant improvements to Biotech 6 and 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 \$221,500 for a GPS system. The College of William and Mary (nonmajor component unit) has notes payable of \$308,868 with SunTrust Bank to partially finance the multi-year implementation of the administrative and financial system. This first note matured in 2008 and 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 \$1,872,488, 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 \$66,431, 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. The Radford University Property Acquisition Foundation (blended component unit of Radford University (nonmajor component unit)) has a notes payable of \$1,059,972 to

purchase land and a building. The original note was refinanced and the new terms include an interest rate of 5.53 percent, payable in monthly installments with a final payment in 2021.

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, 2009, are shown in the following table (dollars in thousands).

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

June 30, 2009

<b>Maturity</b>	<b>Principal</b>
2010	\$ 16,796
2011	73,237
2012	11,084
2013	12,183
2014	6,929
Thereafter	<u>90,511</u>
<b>Total</b>	<b>\$ <u>210,740</u></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 \$219,166,010 of the total outstanding debt of the Commonwealth. The foundations (component units) had installment purchase obligations totaling \$11,981 as of year-end. Presented in the following tables are repayment schedules for installment purchase obligations.

**Installment Purchase Obligations - Governmental Funds**

June 30, 2009

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 6,581,824	\$ 1,739,223	\$ 8,321,047
2011	6,080,343	1,921,341	8,001,684
2012	4,426,790	1,721,042	6,147,832
2013	4,014,571	1,570,100	5,584,671
2014	8,233,534	2,543,299	10,776,833
2015-2019	22,021,323	4,033,491	26,054,814
2020-2024	<u>10,608,066</u>	<u>904,713</u>	<u>11,512,779</u>
<b>Total</b>	<b>\$ <u>61,966,451</u></b>	<b>\$ <u>14,433,209</u></b>	<b>\$ <u>76,399,660</u></b>

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

June 30, 2009

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 776,891	\$ 20,579	\$ 797,470
2011	<u>186,944</u>	<u>1,963</u>	<u>188,907</u>
<b>Total</b>	<b>\$ <u>963,835</u></b>	<b>\$ <u>22,542</u></b>	<b>\$ <u>986,377</u></b>

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

June 30, 2009

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 18,584,734	\$ 4,865,537	\$ 23,450,271
2011	26,623,656	5,888,127	32,511,783
2012	17,341,002	3,705,292	21,046,294
2013	16,346,306	3,167,584	19,513,890
2014	14,994,183	2,639,974	17,634,157
2015-2019	51,741,221	6,840,825	58,582,046
2020-2024	10,553,245	937,721	11,490,966
2025-2029	<u>51,377</u>	<u>2,826</u>	<u>54,203</u>
<b>Total</b>	<b>\$ <u>156,235,724</u></b>	<b>\$ <u>28,047,886</u></b>	<b>\$ <u>184,283,610</u></b>

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

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

June 30, 2009

<b>Maturity</b>	<b>Principal</b>
2010	\$ 11,028
2011	<u>953</u>
<b>Total</b>	<b>\$ <u>11,981</u></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, 2009, are shown in the following table:

	<u>Jackpot</u>	<u>Win For Life</u>	<u>Total</u>
Due within one year	\$ 57,540,195	\$ 3,521,408	\$ 61,061,603
Due in subsequent years	<u>185,046,894</u>	<u>47,056,083</u>	<u>232,102,977</u>
Total (present value)	242,587,089	50,577,491	293,164,580
Add:			
Interest to Maturity	<u>75,319,311</u>	<u>39,148,509</u>	<u>114,467,820</u>
Lottery Prizes Payable at Maturity	<u>\$ 317,906,400</u>	<u>\$ 89,726,000</u>	<u>\$ 407,632,400</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, 2009, tuition benefits payable of \$1.9 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 \$285.0 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

## 25. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2009.

	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	\$ 372	\$ 196,570	\$ 10,265	\$ 148	\$ 1
Major Special Revenue Funds:					
Commonwealth Transportation	19,087	12,178	73,821	4,232	-
Federal Trust	-	36	-	-	122
Literary	-	63,949	-	-	-
Nonmajor Governmental Funds	93,560	63,592	78,161	11,819	26,242
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	-	-
Nonmajor Enterprise Funds	-	12,815	-	-	-
Private Purpose	-	-	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
<b>Total Primary Government</b>	<b>\$ 113,019</b>	<b>\$ 349,140</b>	<b>\$ 162,247</b>	<b>\$ 16,199</b>	<b>\$ 26,365</b>

	Tobacco Master Settlement	Taxes	Smart Tag	Other (1)	Total Other Revenue
<b>Primary Government:</b>					
General	\$ 58,966	\$ -	\$ -	\$ 79,376	\$ 345,698
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	9,664	3,792	122,774
Federal Trust	-	-	-	77,496	77,654
Literary	-	-	-	109,518	173,467
Nonmajor Governmental Funds	-	-	-	107,107	380,481
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	3	3
Nonmajor Enterprise Funds	-	12,668	-	1,705	27,188
Private Purpose	-	-	-	3	3
Pension and Other Employee Benefit Trust	-	-	-	9,126	9,126
<b>Total Primary Government</b>	<b>\$ 58,966</b>	<b>\$ 12,668</b>	<b>\$ 9,664</b>	<b>\$ 388,126</b>	<b>\$ 1,136,394</b>

Note (1): \$100,000 (dollars in thousands) of the total amount recorded for the Literary fund is related to unclaimed property.

## 26. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2009.

*(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	\$ -	\$ 767,722	\$ 767,722
Unemployment Compensation	880,989	-	880,989
Nonmajor Enterprise Funds	<u>218,772</u>	<u>-</u>	<u>218,772</u>
Total Enterprise Funds	<u>\$ 1,099,761</u>	<u>\$ 767,722</u>	<u>\$ 1,867,483</u>
Internal Service Funds	<u>\$ 1,028,381</u>	<u>\$ -</u>	<u>\$ 1,028,381</u>

## 27. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense for the fiscal year ended June 30, 2009.

*(Dollars in Thousands)*

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total Depreciation and Amortization</u>
<b>Proprietary Funds:</b>			
Major Enterprise Funds:			
State Lottery	\$ 1,874	\$ -	\$ 1,874
Virginia College Savings Plan	523	-	523
Nonmajor Enterprise Funds	<u>6,684</u>	<u>137</u>	<u>6,821</u>
Total Enterprise Funds	<u>\$ 9,081</u>	<u>\$ 137</u>	<u>\$ 9,218</u>
Internal Service Funds	<u>\$ 14,899</u>	<u>\$ -</u>	<u>\$ 14,899</u>

## 28. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2009.

*(Dollars in Thousands)*

	<b>Grants and Distributions To Localities</b>	<b>Expendable Equipment/ Improvements</b>	<b>Other (1)</b>	<b>Total Other Expenses</b>
<b>Proprietary Funds:</b>				
Major Enterprise Funds:				
Virginia College Savings Plan	\$ -	\$ 401	\$ 22	\$ 423
Nonmajor Enterprise Funds	84	3,643	895	4,622
Total Enterprise Funds	<u>\$ 84</u>	<u>\$ 4,044</u>	<u>\$ 917</u>	<u>\$ 5,045</u>
Internal Service Funds	<u>\$ 1,985</u>	<u>\$ 6,574</u>	<u>\$ 7,463</u>	<u>\$ 16,022</u>
Pension and Other Employee Benefit Trust (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 985</u>	<u>\$ 985</u>

Note (1): \$6,677 (dollars in thousands) can be attributed to expenses related to closing cases in the Risk Management internal service fund.

Note (2): Fiduciary expenses of \$985 (dollars in thousands) are not included in the Government-wide Statement of Activities.

## 29. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2009.

*(Dollars in Thousands)*

	<b>Loss on Sale of Capital Assets</b>	<b>Expenses for Securities Lending Transactions</b>	<b>American Recovery and Reinvestment Act Receipts</b>	<b>Other (1)</b>	<b>Total Other Non- Operating Revenue/ Expenses</b>
<b>Proprietary Funds:</b>					
Major Enterprise Funds:					
State Lottery	\$ -	\$ (407)	\$ -	\$ 599	\$ 192
Virginia College Savings Plan	-	(248)	-	-	(248)
Unemployment Compensation	-	-	76,279	-	76,279
Nonmajor Enterprise Funds	(10)	(739)	-	(153)	(902)
Total Enterprise Funds	<u>\$ (10)</u>	<u>\$ (1,394)</u>	<u>\$ 76,279</u>	<u>\$ 446</u>	<u>\$ 75,321</u>
Internal Service Funds	<u>\$ (499)</u>	<u>\$ (1,855)</u>	<u>\$ -</u>	<u>\$ (6,087)</u>	<u>\$ (8,441)</u>

Note (1): \$7,488 (dollars in thousands) is related to expenses associated with lease and asset transfers in the Property Management internal service fund.

### 30. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2009 (dollars in thousands).

<b>Transfers In (Reported In):</b>					
<b>Transfers Out (Reported In):</b>	<b>General</b>	<b>Commonwealth Transportation</b>	<b>Federal Trust</b>	<b>Literary Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>Primary Government</b>					
General	\$ -	\$ 147,370	\$ -	\$ -	\$ 413,822
Major Special Revenue Funds:					
Commonwealth Transportation	23,909	-	718	-	289,165
Federal Trust	191	8,400	-	-	988
Nonmajor Governmental Funds	84,213	-	642	-	5,093
Major Enterprise Funds:					
State Lottery	439,138	-	-	13,300	-
Virginia College Savings Plan	201	-	-	-	-
Unemployment Compensation	-	-	7,808	-	-
Nonmajor Enterprise Funds	122,709	-	-	9	8,738
Internal Service Funds	2,561	-	-	-	1,661
<b>Total Primary Government</b>	<b>\$ 672,922</b>	<b>\$ 155,770</b>	<b>\$ 9,168</b>	<b>\$ 13,309</b>	<b>\$ 719,467</b>

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

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

- Various nongeneral funds transferred approximately \$62.1 million to the General Fund as required by Chapter 781, 2009 Acts of Assembly.
- The Department of Motor Vehicles transferred certain fees of approximately \$5.0 million to the General Fund as required by Chapter 781, 2009 Acts of Assembly.

### 31. ON-BEHALF PAYMENTS

Higher education institutions (component units) recognized various foundation and association on-behalf payments for fringe benefits and salaries during fiscal year 2009 totaling \$1.5 million. This activity was recorded as Program Revenue – Operating Grants and Contributions in the amount of \$1.2 million; and Program Revenue – Charges for Services in the amount of \$0.3 million, with corresponding expenses.

### 32. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is \$692.9 million. Of this amount, \$692.2 million is reported as restricted net assets and \$0.7 million 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.

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<b>Nonmajor Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Total Primary Government</b>
\$ -	\$ -	\$ 561,192
-	330	314,122
39	-	9,618
538	731	91,217
-	-	452,438
-	-	201
-	-	7,808
-	-	131,456
-	-	4,222
<u>\$ 577</u>	<u>\$ 1,061</u>	<u>\$ 1,572,274</u>

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### 33. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2009.

	State Lottery	Virginia College Savings Plan	Unemployment Compensation
Cash Flows Resulting from:			
Payments for Prizes, Claims, and Loss Control:			
Lottery Prizes	\$ (842,402)	\$ -	\$ -
Claims and Loss Control	-	-	(859,920)
Total	<u>\$ (842,402)</u>	<u>\$ -</u>	<u>\$ (859,920)</u>
Other Operating Revenue:			
Other Operating Revenue	\$ -	\$ 3	\$ -
Total	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>
Other Operating Expense:			
Other Operating Expenses (1)	\$ -	\$ (22)	\$ -
Total	<u>\$ -</u>	<u>\$ (22)</u>	<u>\$ -</u>
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	\$ -	\$ -	\$ -
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	2,721	-	76,278
Total	<u>\$ 2,721</u>	<u>\$ -</u>	<u>\$ 76,278</u>
Other Noncapital Financing Disbursement Activities:			
Repayments of Advances/Contributions from the Commonwealth	\$ (5,000)	\$ -	\$ -
Other Noncapital Financing Disbursement Activities	-	-	-
Total	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Receipt Activities:			
Other Capital and Related Financing Receipt Activities	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Disbursement Activities:			
Disbursements for Capital Expenditures	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note (1): \$6,677 (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
\$ -	\$ (842,402)	\$ -
(211,443)	(1,071,363)	(964,799)
<u>\$ (211,443)</u>	<u>\$ (1,913,765)</u>	<u>\$ (964,799)</u>
\$ 5,877	\$ 5,880	\$ -
<u>\$ 5,877</u>	<u>\$ 5,880</u>	<u>\$ -</u>
\$ (1,243)	\$ (1,265)	\$ (10,657)
<u>\$ (1,243)</u>	<u>\$ (1,265)</u>	<u>\$ (10,657)</u>
\$ 28,110	\$ 28,110	\$ -
156,031	156,031	-
107	79,106	954
<u>\$ 184,248</u>	<u>\$ 263,247</u>	<u>\$ 954</u>
\$ (31,494)	\$ (36,494)	\$ -
(85)	(85)	-
<u>\$ (31,579)</u>	<u>\$ (36,579)</u>	<u>\$ -</u>
\$ -	\$ -	\$ 49
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49</u>
\$ -	\$ -	\$ (632)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (632)</u>

### 34. 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 Commission and the 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 Commission, the Commonwealth sold to the Corporation the remaining 25 percent of its future right, title and interest in the 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.

### 35. INFORMATION TECHNOLOGY INFRASTRUCTURE PARTNERSHIP – NORTHROP GRUMMAN

The Comprehensive Infrastructure Agreement (CIA) is a contract between the Commonwealth of Virginia (Commonwealth) acting through the Virginia Information Technologies Agency (VITA) and Northrop Grumman Information Technology, Inc (NG). The CIA began July 1, 2006, for an initial term of ten years, and the Commonwealth may renew the CIA for one three-year renewal term. The Commonwealth's primary goal is to significantly improve the Commonwealth's IT infrastructure and the manner in which such infrastructure is operated, supported, and maintained.

The services and activities required to provide the Commonwealth the appropriate level of service are provided in the following infrastructure service towers: Cross-Functional Services, Desktop Computing Services; Data Network Services; Voice and Video Telecom Services; Mainframe and Server Services; Help Desk Services; Messaging Services; Security Services; and, Application Services. Expenses associated with the CIA during the fiscal year totaled \$227.4 million, including payments to Northrop Grumman of \$164.0 million. The Commonwealth expects to spend an additional \$1.7 billion over the next seven fiscal years.

The Commonwealth may terminate the CIA due to a variety of reasons including the Commonwealth's convenience; a significant change of control in the equity interests in NG; NG's failure to implement satisfactory improvements; or, NG's failure to prevent service interruption of 15 days or more. In these instances, the Commonwealth will be required to pay exit and resolution fees as outlined in the CIA. Additional causes for termination that do not require the payment of exit or resolution fees are NG's default on the CIA terms, including failure to complete Transition by June 30, 2009, the Commonwealth's lack of funds, or NG's incurrence of liabilities equal to or more than 75% of the direct damages cap. NG may terminate the CIA only if the Commonwealth owes an aggregate amount in excess of \$100 million that is more than 30 days past due and not being disputed in good faith. The Commonwealth may be required to pay exit and

resolution fees, as outlined in the CIA, if NG terminates the CIA. Any exit fees resulting from the termination of the agreement are expected to be significant to the Commonwealth. However, exit fees are subject to the appropriation, allocation and availability of government funds. Further, if the Commonwealth and NG terminate the business relationship at the conclusion of the CIA term, the Commonwealth will incur significant costs to obtain the IT infrastructure necessary to continue the Commonwealth's operations.

Due to problems with NG's performance under the contract, the Commonwealth has temporarily withheld amounts from its payments to NG. In July 2009, the Commonwealth declared approximately \$5.8 million permanently withheld with an additional \$1.8 million remaining temporarily withheld. Additionally, NG has informally asserted rights to additional payments under the contract for out-of-scope work that might reach as much as \$95.5 million. At this time, NG has not followed contractual provisions to bill for these additional amounts.

## **36. 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 2010 cost allocation plan, which is based on state fiscal year 2008 data. The Commonwealth believes this liability has the potential to total \$691,334 as of June 30, 2009.

Virginia's combined overpayment and underpayment food stamp error rate for federal

fiscal year 2008 was 5.75 percent. The national average combined error rate was 5.01 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 2008. Therefore, 2009 will not count as a first year of potential liability.

The Virginia Tourism Authority had unclaimed awards totaling \$1,045,572 payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program.

### **B. Litigation**

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

### **C. Subject to Appropriation**

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of \$2.3 billion. The discretely presented component units have such debt of \$1.2 billion.

### **D. Bailment Inventory**

The Department of Alcoholic Beverage Control (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2009, the bailment inventory was valued at \$37.8 million.

### **E. Loan Guarantees**

The Virginia Small Business Financing Authority (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of \$500,000 or 75 percent of a bank loan for lines of credit and short-term working capital loans for small businesses. As of June 30, 2009, the loan guaranty program has guarantees outstanding of

\$4.0 million. In addition, the Department of Minority Business Enterprise fund provides loan guarantees up to 90 percent of a bank loan for lines of credit and short-term working capital loans for minority businesses. As of June 30, 2009, there was \$158,783 in outstanding guarantees.

The Assistive Technology Loan Fund Authority (nonmajor component unit) has an alternative financing program which provides guarantees of loans issued by its financial partner, SunTrust Bank. As of June 30, 2009, there was approximately \$894,892 of loans issued in which it was the guarantor.

and the issuer is eligible to receive a subsidy payment from the Federal government equal to 35% of each interest payment. Interest paid to bondholders on these bonds will be subject to federal income tax, but will be exempt from Commonwealth income tax.

On November 4, 2009, the Commonwealth Transportation Board issued its \$72,195,000 Transportation Revenue Bonds (Northern Virginia Transportation District Program). The issue was comprised of \$11,245,000 in tax-exempt Series 2009A-1 Bonds and \$60,950,000 in Series 2009A-2 taxable BABs. The proceeds of these issues will fund a portion of the costs of the Northern Virginia Transportation District Program.

### **Component Units**

#### **Debt**

On July 29, 2009, the Virginia Housing Development Authority (VHDA) borrowed \$47,145,000 from the Federal Home Loan Bank, Atlanta.

On September 22, 2009, the Hampton Roads Sanitation District Commission (the Commission) authorized the issuance of up to \$180 million in Senior Wastewater Revenue Bonds payable over a period not to exceed 30 years. The Commission anticipates selling these bonds in November 2009. During the fiscal year, the Commission was advised that \$10.0 million and \$24.2 million in loans were authorized by the Virginia Water Facilities Revolving Fund to partially fund improvements at the James River Treatment Plant and the development of an interceptor metering project, respectively. These 20-year loans are from the Virginia Resources Authority's recent Clean Water Revolving Fund Revenue Bond and each have an interest rate of 3.35 percent. The Commission has not yet closed on these loans.

On October 8, 2009, the Virginia College Building Authority (VCBA) issued its \$52,420,000 Educational Facilities Revenue Bonds Series 2009D (21<sup>st</sup> Century College and Equipment Programs). The bonds were issued to finance the acquisition of equipment for public institutions of higher education. On this date the VCBA also issued its \$134,000,000 Educational Facilities Revenue Refunding Bonds Series 2009E-1 and its \$74,860,000 Educational Facilities Revenue Refunding Bonds Series 2009E-2. These two series refunded a portion of certain outstanding 21<sup>st</sup> Century College and Equipment Program bonds for debt service savings.

## **37. SUBSEQUENT EVENTS**

### **Primary Government**

#### **Other**

#### **Enterprise**

Continuing high levels of unemployment benefit claims payments resulted in the depletion of available fund balances in the Unemployment Trust Fund during October 2009. Section 1201 of the Social Security Act provides for temporary loans from the Federal Unemployment Fund to those states whose trust funds are depleted to ensure the continuation of benefit payments to eligible claimants. Loans are repayable from future employer contributions. Interest accruing on outstanding balances is payable from general revenues each September 30. The American Recovery and Reinvestment Act of 2009 temporarily suspended interest on these loans through December 31, 2010. Short-term borrowing is expected to be necessary at various times through 2014, with maximum outstanding loan balances of approximately \$800 million occurring during 2011.

#### **Debt**

On October 21, 2009, the Commonwealth issued a total of \$332,480,000 in General Obligation Bonds comprised of Series 2009B, 2009C, 2009D, 2009E-1 and 2009E-2. The Series 2009B Bonds (\$99,025,000) were issued to finance revenue-producing capital projects at various institutions of higher education and the Department of General Services pursuant to Article X, Section 9(c) of the Virginia Constitution. The Series 2009C and Series 2009D Bonds were issued to refinance \$192,155,000 in General Obligation Bonds, Series 2001, 2002, 2004A, 2005A and 2006B for debt service savings. The Series 2009E-1 Bonds (\$21,285,000) and Series 2009E-2 Bonds (\$23,715,000) were issued to fund capital projects for educational facilities, parks and recreational facilities of the Commonwealth pursuant to Article X, Section 9(b) of the Virginia Constitution. The Series E-1 and E-2 Bonds were also the Commonwealth's first issuance of Build America Bonds (BABs). BABs were authorized under the American Recovery and Reinvestment Act of 2009 as an alternative to traditional tax-exempt bonds. BABs are issued on a taxable basis,

On October 27, 2009, the Virginia Public School Authority (VPSA) issued its \$485,300,000 School Financing Bonds (1997 Resolution) Refunding Series 2009C to refinance certain of its Series 2001A, 2001B, 2001C, 2002A, 2002B, 2003A and 2003C bonds for debt service savings.

Also on October 27, 2009, the Virginia Biotechnology Research Partnership Authority issued its \$36,740,000 Commonwealth of Virginia Lease Revenue Refunding Bonds, Series 2009. This issue refinanced its Series 2001 Bonds for debt service savings. Like the Series 2001 Bonds, the Series 2009 Bonds are secured by lease payments from the Commonwealth.

On November 13, 2009, VPSA issued its \$61,120,000 School Tax Credit Bonds (Qualified School Construction Bonds) Series 2009-1. Qualified School Construction Bonds are a new type of tax credit bonds established under the ARRA. The bonds are issued to purchase general obligation school bonds issued by participating localities to finance capital projects for public school purposes.

On November 16, 2009, the Virginia Resource Authority issued \$197.3 million in 30-year bonds with an interest rate of 3.85%. Proceeds from the bonds will be used for water, wastewater, regional and local jails, courthouses and other projects. Several existing projects will be refinanced. Also, effective July 1, 2009, the moral obligation of the Commonwealth increased from \$900 million to \$1.5 billion.

In December 2009, the VCBA plans to issue approximately \$400 million in Educational Facilities Revenue Bonds, Series 2009F (21<sup>st</sup> Century College and Equipment Programs). These proceeds will finance capital projects which have been approved by the General Assembly.

On December 3, 2009, the VPSA issued \$11,645,000 of School Financing Bonds (1997 Resolution) Series 2009D to purchase certain general obligation local school bonds to finance capital projects for public schools.

On December 9, 2009, the VCBA issued \$235,945,000 in Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 2009B. The VCBA will use the proceeds of the Bonds to acquire Institutional Notes from participating public institutions of higher education. 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.



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## Required Supplementary Information

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

Fiscal Year Ended June 30, 2009  
(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	\$ 10,776,900	\$ 9,697,300	\$ 9,481,109	\$ (216,191)
Sales and Use	3,469,488	3,179,300	3,116,831	(62,469)
Corporation Income	706,000	685,000	648,033	(36,967)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	380,800	298,100	314,264	16,164
Premiums of Insurance Companies	294,800	257,500	255,019	(2,481)
Alcoholic Beverage Sales	175,000	174,900	173,227	(1,673)
Tobacco Products	182,100	182,100	183,750	1,650
Estate	-	-	6,006	6,006
Public Service Corporations	88,900	92,800	91,340	(1,460)
Other Taxes	24,300	15,900	28,230	12,330
Rights and Privileges	69,600	63,900	67,426	3,526
Sales of Property and Commodities	1,900	1,800	1	(1,799)
Assessments and Receipts for Support of Special Services	300	400	396	(4)
Institutional Revenue	7,500	7,500	6,402	(1,098)
Interest, Dividends, and Rents	123,567	121,986	134,400	12,414
Fines, Forfeitures, Court Fees, Penalties, and Escheats	201,600	205,200	197,875	(7,325)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	10,300	10,100	10,265	165
Private Donations, Gifts and Contracts	-	900	118	(782)
Tobacco Master Settlement	55,699	66,754	58,966	(7,788)
Other	73,071	90,197	102,568	12,371
<b>Total Revenues</b>	<b>16,641,825</b>	<b>15,151,637</b>	<b>14,876,226</b>	<b>(275,411)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	1,761,795	1,722,663	1,669,257	53,406
Education	8,319,880	8,083,328	8,045,614	37,714
Transportation	40	53,949	11,863	42,086
Resources and Economic Development	302,259	313,963	288,877	25,086
Individual and Family Services	4,418,613	4,075,027	4,012,450	62,577
Administration of Justice	2,466,671	2,440,305	2,300,008	140,297
Capital Outlay	159,919	74,498	47,421	27,077
<b>Total Expenditures</b>	<b>17,429,177</b>	<b>16,763,733</b>	<b>16,375,490</b>	<b>388,243</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(787,352)</b>	<b>(1,612,096)</b>	<b>(1,499,264)</b>	<b>112,832</b>
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	621,607	641,273	664,141	22,868
Transfers Out	(465,580)	(556,413)	(561,192)	(4,779)
<b>Total Other Financing Sources (Uses)</b>	<b>156,027</b>	<b>84,860</b>	<b>102,949</b>	<b>18,089</b>
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(631,325)	(1,527,236)	(1,396,315)	130,921
<b>Fund Balance, July 1</b>	<b>2,219,790</b>	<b>2,219,790</b>	<b>2,219,790</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 1,588,465</b>	<b>\$ 692,554</b>	<b>\$ 823,475</b>	<b>\$ 130,921</b>

See notes on page 167 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>
\$ -	\$ -	\$ -	\$ -
603,206	514,500	478,501	(35,999)
-	-	-	-
920,918	879,238	864,877	(14,361)
649,043	430,100	406,401	(23,699)
96,600	60,600	35,703	(24,897)
134,500	132,300	132,286	(14)
-	-	-	-
-	-	-	-
-	-	-	-
54,966	35,560	32,787	(2,773)
504,790	501,570	550,025	48,455
556	556	2,035	1,479
19,021	18,316	19,089	773
-	-	-	-
50,251	101,891	46,485	(55,406)
72,593	22,887	12,037	(10,850)
1,228,983	1,238,153	813,166	(424,987)
308,096	518,722	81,203	(437,519)
-	-	2,040	2,040
-	-	-	-
26,241	407	21,541	21,134
<b>4,669,764</b>	<b>4,454,800</b>	<b>3,498,176</b>	<b>(956,624)</b>
2,424	2,424	2,016	408
2,414	2,414	2,389	25
4,301,631	5,273,776	3,707,304	1,566,472
16,178	11,922	10,501	1,421
-	-	-	-
8,656	8,656	8,656	-
54,986	58,041	32,019	26,022
4,386,289	5,357,233	3,762,885	1,594,348
283,475	(902,433)	(264,709)	637,724
62,350	147,370	155,770	8,400
(307,193)	(351,045)	(314,122)	36,923
(244,843)	(203,675)	(158,352)	45,323
38,632	(1,106,108)	(423,061)	683,047
1,791,954	1,791,954	1,791,954	-
<b>\$ 1,830,586</b>	<b>\$ 685,846</b>	<b>\$ 1,368,893</b>	<b>\$ 683,047</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, 2009  
(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	20	-	-	-
Sales of Property and Commodities	485	292	122	(170)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	2,463	2,817	1,994	(823)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	384	286	17	(269)
Federal Grants and Contracts	5,498,236	6,833,635	6,986,599	152,964
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	62	62
Tobacco Master Settlement	-	-	-	-
Other	40,961	27,538	78,485	50,947
<b>Total Revenues</b>	<b>5,542,549</b>	<b>6,864,568</b>	<b>7,067,279</b>	<b>202,711</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	121,732	152,612	127,910	24,702
Education	911,638	1,051,668	891,938	159,730
Transportation	34,017	22,539	14,125	8,414
Resources and Economic Development	159,319	174,857	138,675	36,182
Individual and Family Services	4,241,506	5,259,468	5,730,868	(471,400)
Administration of Justice	60,872	175,178	148,936	26,242
Capital Outlay	13,422	28,203	14,377	13,826
<b>Total Expenditures</b>	<b>5,542,506</b>	<b>6,864,525</b>	<b>7,066,829</b>	<b>(202,304)</b>
Revenues Over (Under) Expenditures	43	43	450	407
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	-	-	9,168	9,168
Transfers Out	(43)	(43)	(9,618)	(9,575)
<b>Total Other Financing Sources (Uses)</b>	<b>(43)</b>	<b>(43)</b>	<b>(450)</b>	<b>(407)</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 167 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, 2009, to the fund balance on a modified accrual basis follows.

**Fund Balance Comparison**  
**Budgetary Basis to GAAP Basis**  
June 30, 2009

*(Dollars in Thousands)*

	General	Commonwealth Transportation	Federal Trust Fund
	Fund	Fund	Fund
Fund Balance, Basis of Budgeting	\$ 823,475	\$ 1,368,893	\$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	593,173	125,409	-
Tax Refunds	(488,410)	-	-
Other Revenue/Other Sources	(20,595)	105,476	794,464
Deferred Taxes (2)	(199,308)	-	-
Medicaid Payable	(268,153)	-	(440,533)
Accrued Expenditures/Other Uses	(698,649)	(169,667)	(299,676)
Fund Balance, Modified Accrual Basis	<u>\$ (258,467)</u>	<u>\$ 1,430,111</u>	<u>\$ 54,255</u>

- As discussed in Note 1.E., the Literary Fund has no approved budget.
- 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, 2009, except the Literary Fund which has no approved budget.

*(Dollars in Thousands)*

	General Fund (10)	Commonwealth Transportation Fund	Federal Trust Fund (11)
Appropriations (1)	\$ 17,429,177	\$ 4,386,289	\$ 5,542,506
Supplemental Appropriations:			
Reappropriations (2)	804,929	59,986	26,056
Subsequent Executive (3)	27,305	401,511	492,464
Subsequent Legislative (4)	(987,330)	452,435	837,372
Capital Outlay and Operating Reversions (5)	(116)	(1,989)	(1,026)
Deficit (6)	78	-	-
Transfers (7)	(372,384)	150,123	(17,578)
Capital Outlay Adjustment (8)	(137,926)	(55,155)	(15,269)
Debt Service Adjustment (9)	-	(35,967)	-
Appropriations, as adjusted	<u>\$ 16,763,733</u>	<u>\$ 5,357,233</u>	<u>\$ 6,864,525</u>

- Represents the budget appropriated through Chapter 879, 2008 Acts of Assembly, as amended by Chapter 781, 2009 Acts of Assembly.
- Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
- 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).
- Actions taken by the Governor and the General Assembly to adjust the budget.
- Represents reversions of unexpended capital outlay and operating balances.
- Represents additional appropriations authorized by the Governor to prevent agencies from incurring deficits. This deficit appropriation relates to the payment of operating expenses for the Department of Veterans Services and the Human Rights Council.
- Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.6 billion (General Fund) and \$0.9 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.
- 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.
- The Special Revenue Commonwealth Transportation Fund appropriations have been adjusted for debt service.
- Budgetary reductions totaling \$283 million are excluded since they were not available for disbursement during the current fiscal year.
- Appropriations do not include food stamp issuances of \$805 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>						
2008	\$ 52,548	\$ 62,554	\$ 10,006	84.0%	\$ 14,559	68.7%
2007	47,815	58,116	10,301	82.3%	13,834	74.5%
2006	42,669	52,822	10,153	80.8%	13,002	78.1%
* 2005	40,372	49,628	9,256	81.3%	12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
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%
<b>State Police Officers' Retirement System (SPORS)</b>						
2008	\$ 646	\$ 844	\$ 198	76.5%	\$ 103	192.2%
2007	595	806	211	73.8%	101	208.9%
2006	539	730	191	73.8%	94	203.2%
* 2005	514	673	159	76.4%	91	174.7%
2004	510	656	146	77.7%	82	178.0%
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%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>						
2008	\$ 873	\$ 1,281	\$ 408	68.1%	\$ 368	110.9%
2007	766	1,166	400	65.7%	341	117.3%
2006	656	1,096	440	59.9%	321	137.1%
* 2005	575	980	405	58.7%	307	131.9%
2004	509	927	418	54.9%	298	140.3%
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>						
2008	\$ 374	\$ 495	\$ 121	75.6%	\$ 61	198.4%
2007	340	442	102	76.9%	58	175.9%
2006	302	424	122	71.2%	54	225.9%
* 2005	288	402	114	71.6%	52	219.2%
2004	285	366	81	77.9%	48	168.8%
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%

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

\*\* Change in benefit formula, unreduced early retirement age and 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.

**Notes for Funding Progress for Defined Benefit Pension Plans**

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Valuation Date:	June 30, 2008
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	3.00%
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%
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%
Cost of Living Adjustments	2.50%
(1) Includes inflation at 2.50%.	

**Schedule of Employer Contributions – Defined Pension Plans**

(Dollars in Thousands)

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Statutory Required Contribution</b>	<b>Percentage Contributed</b>
<b>Virginia Retirement System (VRS)</b>				
2009 *	\$ 1,501,018	81.25%	\$ 1,219,645	100.00%
2008 *	1,378,993	92.58%	1,276,645	100.00%
2007 *	1,299,606	85.89%	1,116,217	100.00%
2006 *	864,245	89.51%	773,553	100.00%
2005 *	810,944	85.26%	691,415	100.00%
2004 *	469,200	91.66%	430,064	100.00%
2003 *	450,766	67.61%	304,784	100.00%
2002 *	459,613	79.68%	366,239	100.00%
2001 *	630,458	99.99%	630,370	100.00%
2000 *	785,376	93.24%	732,273	100.00%
<b>State Police Officers' Retirement System (SPORS)</b>				
2009 *	\$ 24,241	83.23%	\$ 20,175	100.00%
2008 *	22,941	91.49%	20,989	100.00%
2007 *	19,402	84.31%	16,358	100.00%
2006 *	23,132	65.96%	15,258	100.00%
2005 *	21,946	65.96%	14,475	100.00%
2004 *	20,187	51.16%	10,328	100.00%
2003 *	19,866	44.20%	8,781	100.00%
2002 *	20,190	50.00%	10,095	100.00%
2001	20,420	100.00%	20,420	100.00%
2000 *	17,684	85.07%	15,044	100.00%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>				
2009 *	\$ 60,059	84.80%	\$ 50,932	100.00%
2008 *	61,325	91.20%	55,929	100.00%
2007 *	56,190	86.03%	48,338	100.00%
2006 *	77,414	67.96%	52,611	100.00%
2005 *	74,301	67.96%	50,495	100.00%
2004 *	72,752	55.80%	40,596	100.00%
2003 *	72,699	48.00%	34,895	100.00%
2002 *	77,417	32.30%	25,006	100.00%
2001	51,072	100.00%	51,072	100.00%
2000	16,216	84.81%	13,753	100.00%
<b>Judicial Retirement System (JRS)</b>				
2009 *	\$ 23,148	90.72%	\$ 21,000	100.00%
2008 *	23,599	94.86%	22,386	100.00%
2007 *	22,557	91.02%	20,530	100.00%
2006 *	23,871	67.89%	16,206	100.00%
2005 *	22,490	67.89%	15,269	100.00%
2004 *	21,341	71.18%	15,190	100.00%
2003 *	21,110	64.44%	13,604	100.00%
2002 *	21,282	50.00%	10,641	100.00%
2001	20,822	100.00%	20,822	100.00%
2000 *	15,075	99.07%	14,935	100.00%

\* Contributions made by employers during the fiscal years ended June 30, 2000, through June 30, 2009, were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

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

(Dollars in Millions)

<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>Group Life Insurance Fund</b>						
2008	\$ 975	\$ 1,772	\$ 797	55.0%	\$ 16,267	4.9%
2007	\$ 880	\$ 1,552	\$ 672	56.7%	\$ 14,822	4.5%
* 2006	\$ 751	\$ 1,436	\$ 685	52.3%	\$ 13,923	4.9%
<b>Retiree Health Insurance Credit Fund</b>						
2008	\$ 261	\$ 1,908	\$ 1,647	13.7%	\$ 12,986	12.7%
2007	\$ 198	\$ 1,814	\$ 1,616	10.9%	\$ 10,571	15.3%
* 2006	\$ 175	\$ 1,316	\$ 1,141	13.3%	\$ 9,965	11.5%
<b>Disability Insurance Trust Fund</b>						
2008	\$ 286	\$ 363	\$ 77	78.8%	\$ 4,111	1.9%
2007	\$ 264	\$ 451	\$ 187	58.5%	\$ 3,909	4.8%
* 2006	\$ 192	\$ 423	\$ 231	45.4%	\$ 3,716	6.2%
<b>Line of Duty Death and Disability</b>						
2008	\$ 3	\$ 185	\$ 182	1.6%	\$ N/A	-
2007	\$ -	\$ 146	\$ 146	-	\$ N/A	-
* 2006	\$ -	\$ 99	\$ 99	-	\$ N/A	-
<b>Pre-Medicare Retiree Healthcare</b>						
** 2007	\$ -	\$ 982	\$ 982	-	\$ 2,931	33.5%

\* 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43.

\*\*2007 was the first actuarial valuation prepared for the Pre-Medicare Retiree Healthcare Fund.

See Notes on following page.

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

	<b>Group Life Insurance Fund</b>	<b>Retiree Health Insurance Credit Fund</b>	<b>Disability Insurance Trust Fund</b>	<b>Line of Duty Death and Disability</b>	<b>Pre-Medicare Retiree Healthcare</b>
Valuation Date	June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2007
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent, Open	Level dollar, Open
Payroll Growth Rate:					
State Employees	3.00%	3.00%	3.00%	N/A	3.00%
Teachers	3.00%	3.00%	N/A	N/A	N/A
Political Subdivision Employees	3.00%	3.00%	N/A	N/A	N/A
State Police / VA Law Officers / Judges	3.00%	3.00%	3.00%	3.00%	3.00%
Judges	3.00%	3.00%	N/A	N/A	N/A
Remaining Amortization Period	28 years	28 years	28 years	30 years	30 years
Asset Valuation Method	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value	Market Value	Market Value
Actuarial Assumptions:					
Investment Rate of Return (1)	7.50%	7.50%	7.50%	7.50%	4.97%
Projected Salary Increases (1)					
State Employees	3.75% to 5.60%	N/A	3.75% to 5.60%	N/A	3.75% to 5.60%
Teachers	3.75% to 6.20%	N/A	N/A	N/A	N/A
Political Subdivision Employees (Non-Hazardous Duty	3.75% to 5.60%	N/A	N/A	N/A	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%	N/A	N/A	N/A	N/A
State Police / VA Law Officers / Judges	3.50% to 4.75%	N/A	3.50% to 4.75%	3.50% to 4.75%	3.50% to 4.75%

(1) Includes inflation at 2.50%.

**Schedule of Employer Contributions – Other Post-Employment Benefit Plans**

(Dollars in Thousands)

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Statutory Required Contribution</b>	<b>Percentage Contributed</b>
<b><i>Group Life Insurance Fund</i></b>				
2009*	\$ 146,545	92.13%	\$ 135,019	100.00%
2008	158,740	100.00%	158,740	100.00%
<b><i>Retiree Health Insurance Credit Fund</i></b>				
2009*	\$ 150,048	96.63%	\$ 144,989	100.00%
2008	147,524	100.00%	147,524	100.00%
<b><i>Disability Insurance Trust Fund</i></b>				
2009*	\$ 78,120	91.33%	\$ 71,344	100.00%
2008	97,975	80.00%	78,380	100.00%
<b><i>Line of Duty Death and Disability</i></b>				
2009*	\$ 16,523	51.51%	\$ 8,511	100.00%
2008	9,786	102.45%	10,026	100.00%
<b><i>Pre-Medicare Retiree Healthcare</i></b>				
2009*	\$ 131,925	23.34%	\$ -	-
2008	127,426	25.21%	-	-

\* Contributions made by employers during the fiscal year ended June 30, 2009 were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

## 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	2000	2001	2002	2003
1. Required contribution and investment revenue:				
Earned	\$ 6,478	\$ 5,814	\$ 5,936	\$ 5,740
Ceded (a)	-	-	-	-
Net earned	6,478	5,814	5,936	5,740
2. Unallocated expenses	1,223	1,863	902	918
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	2,263	2,687	4,110	3,488
Ceded (a)	-	-	-	-
Net incurred	2,263	2,687	4,110	3,488
4. Net paid (cumulative) as of:				
End of policy year	196	336	550	380
One year later	2,688	1,628	1,979	1,894
Two years later	3,322	2,388	2,291	2,181
Three years later	3,369	2,490	2,556	2,375
Four years later	3,447	2,530	2,864	2,435
Five years later	4,042	2,616	2,900	2,454
Six years later	4,062	2,616	3,054	2,455
Seven years later	4,069	2,618	3,054	
Eight years later	4,080	2,618		
Nine years later	4,080			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	2,263	2,687	4,110	3,488
One year later	4,801	3,752	4,458	3,237
Two years later	4,467	3,318	4,196	2,910
Three years later	3,589	3,270	3,734	2,619
Four years later	3,575	3,186	3,299	2,447
Five years later	4,211	3,171	3,566	2,467
Six years later	4,236	3,171	3,240	2,457
Seven years later	4,212	3,168	3,191	
Eight years later	4,162	3,168		
Nine years later	4,080			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	1,817	481	(919)	(1,031)

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 the Treasury, Division of Risk Management.

See Notes on page 178 in this section.

	2004	2005	2006	2007	2008	2009
\$	5,729	\$ 5,788	\$ 6,166	\$ 6,560	\$ 6,759	\$ 6,197
	-	-	-	-	-	-
	5,729	5,788	6,166	6,560	6,759	6,197
	1,209	1,068	1,008	1,047	1,307	1,272
	2,861	2,790	1,539	2,060	3,330	3,681
	-	-	-	-	-	-
	2,861	2,790	1,539	2,060	3,330	3,681
	161	227	177	106	493	300
	1,072	1,699	745	1,051	1,697	
	1,420	2,079	1,421	2,436		
	1,539	2,332	2,087			
	1,559	2,438				
	1,569					
	-	-	-	-	-	-
	2,861	2,790	1,539	2,060	3,330	3,681
	3,302	3,563	2,168	3,316	3,928	
	2,306	3,418	2,494	3,224		
	1,700	3,204	2,872			
	1,697	2,783				
	1,648					
	(1,213)	(7)	1,333	1,164	598	-

## 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	2000	2001	2002	2003
1. Required contribution and investment revenue:				
Earned	\$ 75,569	\$ 88,313	\$ 100,836	\$ 118,825
Ceded (a)	-	-	-	-
Net earned	75,569	88,313	100,836	118,825
2. Unallocated expenses	6,997	7,203	6,225	6,171
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	76,816	87,222	95,860	104,453
Ceded (a)	-	-	-	-
Net incurred	76,816	87,222	95,860	104,453
4. Net paid (cumulative) as of:				
End of policy year	68,336	74,579	80,974	99,443
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	74,417	87,222	95,860	104,453
One year later	74,417	87,222	95,860	104,453
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 178 in this section.

	2004	2005	2006	2007	2008	2009
\$	137,582	\$ 157,959	\$ 184,360	\$ 202,366	\$ 211,034	\$ 222,498
	-	-	-	-	-	-
	137,582	157,959	184,360	202,366	211,034	222,498
	6,271	10,655	11,899	13,782	16,215	16,400
	124,887	144,976	152,289	163,787	185,117	214,411
	-	-	-	-	-	-
	124,887	144,976	152,289	163,787	185,117	214,411
	99,656	140,452	147,534	159,769	181,566	204,655
	-	-	-	-	-	-
	N/A	N/A	N/A	N/A		
	N/A	N/A	N/A			
	N/A	N/A				
	N/A					
	-	-	-	-	-	-
	124,887	144,976	152,289	163,787	185,117	214,411
	124,887	144,976	152,289	163,787	185,117	
	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**



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# Nonmajor Governmental Funds

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

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

**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.

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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.

**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.

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

**Combining Balance Sheet – Nonmajor Governmental Funds**

June 30, 2009

(Dollars in Thousands)

	Special Revenue Funds			Total
	Health and Social Services	Water Quality Improvement Fund	Other	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 122,068	\$ 142,559	\$ 556,197	\$ 820,824
Investments	5,050	15,332	43,647	64,029
Receivables, Net	37,443	-	27,590	65,033
Due From Other Funds	-	-	7,909	7,909
Due From External Parties (Fiduciary Funds)	-	-	158	158
Interfund Receivable	-	-	43,478	43,478
Inventory	4,535	-	305	4,840
Prepaid Items	5,260	-	2,445	7,705
Other Assets	32	-	922	954
Loans Receivable from Component Units	-	-	23,812	23,812
<b>Total Assets</b>	<b>\$ 174,388</b>	<b>\$ 157,891</b>	<b>\$ 706,463</b>	<b>\$ 1,038,742</b>
<b>Liabilities and Fund Balances</b>				
Accounts Payable	\$ 20,918	\$ 2,146	\$ 31,221	\$ 54,285
Amounts Due to Other Governments	-	-	1,445	1,445
Due to Other Funds	3,986	15	1,827	5,828
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	116	116
Deferred Revenue	2,492	-	12,433	14,925
Unearned Revenue	2,366	-	6,485	8,851
Obligations Under Securities Lending Program	2,898	28,111	69,914	100,923
Other Liabilities	-	-	5,520	5,520
Long-term Liabilities Due Within One Year	209	-	61	270
<b>Total Liabilities</b>	<b>32,869</b>	<b>30,272</b>	<b>129,022</b>	<b>192,163</b>
Fund Balances Reserved for:				
Inventory	4,535	-	305	4,840
Prepaid Items	5,260	-	2,445	7,705
Debt Service	-	-	-	-
Gifts and Grants	13,602	-	14,715	28,317
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	118,122	127,619	559,976	805,717
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
<b>Total Fund Balances</b>	<b>141,519</b>	<b>127,619</b>	<b>577,441</b>	<b>846,579</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 174,388</b>	<b>\$ 157,891</b>	<b>\$ 706,463</b>	<b>\$ 1,038,742</b>

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ 102,456	\$ -	\$ 102,456	\$ 83,989	\$ 270,810	\$ 354,799
-	-	-	-	-	-
-	-	-	-	138	138
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 102,456</u>	<u>\$ -</u>	<u>\$ 102,456</u>	<u>\$ 83,989</u>	<u>\$ 270,948</u>	<u>\$ 354,937</u>
\$ -	\$ -	\$ -	\$ 3,363	\$ 5,891	\$ 9,254
-	-	-	-	-	-
-	-	-	-	937	937
-	-	-	13,259	-	13,259
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	16,622	6,828	23,450
-	-	-	-	-	-
-	-	-	-	-	-
102,456	-	102,456	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	67,367	264,120	331,487
-	-	-	-	-	-
<u>102,456</u>	<u>-</u>	<u>102,456</u>	<u>67,367</u>	<u>264,120</u>	<u>331,487</u>
<u>\$ 102,456</u>	<u>\$ -</u>	<u>\$ 102,456</u>	<u>\$ 83,989</u>	<u>\$ 270,948</u>	<u>\$ 354,937</u>

Continued on next page

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

June 30, 2009

(Dollars in Thousands)

	Permanent Funds			Total
	Commonwealth Health Research Board	Prescription Monitoring Fund	Mental Health Endowment Funds	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 133	\$ 24,594	\$ 261	\$ 24,988
Investments	23,550	4,260	-	27,810
Receivables, Net	-	-	-	-
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>\$ 23,683</b>	<b>\$ 28,854</b>	<b>\$ 261</b>	<b>\$ 52,798</b>
<b>Liabilities and Fund Balances</b>				
Accounts Payable	\$ 3	\$ 65	\$ -	\$ 68
Amounts Due to Other Governments	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	-	-
Deferred Revenue	-	-	-	-
Unearned Revenue	-	-	-	-
Obligations Under Securities Lending Program	-	7,810	-	7,810
Other Liabilities	-	-	-	-
Long-term Liabilities Due Within One Year	-	-	-	-
<b>Total Liabilities</b>	<b>3</b>	<b>7,875</b>	<b>-</b>	<b>7,878</b>
Fund Balances Reserved for:				
Inventory	-	-	-	-
Prepaid Items	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Funds	23,680	20,979	261	44,920
<b>Total Fund Balances</b>	<b>23,680</b>	<b>20,979</b>	<b>261</b>	<b>44,920</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,683</b>	<b>\$ 28,854</b>	<b>\$ 261</b>	<b>\$ 52,798</b>

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**Total  
Nonmajor  
Governmental  
Funds**

\$	1,303,067
	91,839
	65,171
	7,909
	158
	43,478
	4,840
	7,705
	954
	23,812
<b>\$</b>	<b>1,548,933</b>
\$	63,607
	1,445
	6,765
	13,259
	116
	14,925
	8,851
	108,733
	5,520
	270
	223,491
	4,840
	7,705
	102,456
	28,317
	805,717
	331,487
	44,920
	1,325,442
<b>\$</b>	<b>1,548,933</b>

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

For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Special Revenue Funds			Total
	Health and Social Services	Water Quality Improvement Fund	Other	
<b>Revenues</b>				
Taxes	\$ 11,056	\$ -	\$ 77,572	\$ 88,628
Rights and Privileges	111,501	-	160,187	271,688
Institutional Revenue	328,758	-	73,677	402,435
Interest, Dividends, Rents, and Other Investment Income	(366)	6,073	15,366	21,073
Federal Grants and Contracts	8,859	-	-	8,859
Other	119,436	58	253,386	372,880
<b>Total Revenues</b>	<b>579,244</b>	<b>6,131</b>	<b>580,188</b>	<b>1,165,563</b>
<b>Expenditures</b>				
Current:				
General Government	610	-	90,092	90,702
Education	1,397	-	39,361	40,758
Transportation	-	-	5,166	5,166
Resources and Economic Development	35,510	189,414	291,674	516,598
Individual and Family Services	565,176	-	73,115	638,291
Administration of Justice	2,308	-	84,638	86,946
Capital Outlay	-	-	47,787	47,787
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
<b>Total Expenditures</b>	<b>605,001</b>	<b>189,414</b>	<b>631,833</b>	<b>1,426,248</b>
Revenues Over (Under) Expenditures	(25,757)	(183,283)	(51,645)	(260,685)
<b>Other Financing Sources (Uses)</b>				
Transfers In	31,280	1,589	70,480	103,349
Transfers Out	(57,946)	(307)	(32,748)	(91,001)
Notes Issued	-	-	-	-
Insurance Recoveries	16	-	4,383	4,399
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	-	-	37	37
Payment to Refunded Bond Escrow Agent	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(26,650)</b>	<b>1,282</b>	<b>42,152</b>	<b>16,784</b>
Net Change in Fund Balances	(52,407)	(182,001)	(9,493)	(243,901)
Fund Balance, July 1, as restated	193,926	309,620	586,934	1,090,480
Fund Balance, June 30	<u>\$ 141,519</u>	<u>\$ 127,619</u>	<u>\$ 577,441</u>	<u>\$ 846,579</u>

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
884	-	884	927	1,622	2,549
-	-	-	-	-	-
7,531	-	7,531	-	1	1
8,415	-	8,415	927	1,623	2,550
-	-	-	-	-	-
-	-	-	-	-	-
47	-	47	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	193,490	314,588	508,078
291,715	124,745	416,460	-	-	-
128,973	78,032	207,005	-	-	-
420,735	202,777	623,512	193,490	314,588	508,078
(412,320)	(202,777)	(615,097)	(192,563)	(312,965)	(505,528)
413,566	202,524	616,090	-	28	28
-	-	-	(122)	(94)	(216)
-	-	-	17,885	-	17,885
-	-	-	-	-	-
-	-	-	180,000	465,995	645,995
1,016	5,520	6,536	7,098	32,713	39,811
25,458	42,745	68,203	-	-	-
-	-	-	-	-	-
(26,349)	(48,012)	(74,361)	-	-	-
413,691	202,777	616,468	204,861	498,642	703,503
1,371	-	1,371	12,298	185,677	197,975
101,085	-	101,085	55,069	78,443	133,512
\$ 102,456	\$ -	\$ 102,456	\$ 67,367	\$ 264,120	\$ 331,487

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, 2009  
(Dollars in Thousands)

	Permanent Funds			Total
	Commonwealth	Prescription Monitoring Fund	Mental	
	Health		Health	
	Research Board		Endowment Funds	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Rights and Privileges	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, Rents, and Other Investment Income	(6,063)	699	3	(5,361)
Federal Grants and Contracts	-	-	-	-
Other	69	-	-	69
<b>Total Revenues</b>	<b>(5,994)</b>	<b>699</b>	<b>3</b>	<b>(5,292)</b>
<b>Expenditures</b>				
Current:				
General Government	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Resources and Economic Development	-	853	-	853
Individual and Family Services	1,172	-	4	1,176
Administration of Justice	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
<b>Total Expenditures</b>	<b>1,172</b>	<b>853</b>	<b>4</b>	<b>2,029</b>
Revenues Over (Under) Expenditures	(7,166)	(154)	(1)	(7,321)
<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	(7,166)	(154)	(1)	(7,321)
Fund Balance, July 1, as restated	30,846	21,133	262	52,241
Fund Balance, June 30	<u>\$ 23,680</u>	<u>\$ 20,979</u>	<u>\$ 261</u>	<u>\$ 44,920</u>

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**Total  
Nonmajor  
Governmental  
Funds**

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\$	88,628
	271,688
	402,435
	19,145
	8,859
	380,481
	<u>1,171,236</u>
	90,702
	40,758
	5,213
	517,451
	639,467
	86,946
	555,865
	416,460
	207,005
	<u>2,559,867</u>
	(1,388,631)
	719,467
	(91,217)
	17,885
	4,399
	645,995
	46,347
	68,203
	37
	<u>(74,361)</u>
	1,336,755
	(51,876)
	<u>1,377,318</u>
\$	<u>1,325,442</u>

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

For the Fiscal Year Ended June 30, 2009  
(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	7,105	23,986	11,056	(12,930)
Other Taxes	-	-	-	-
Rights and Privileges	108,599	112,963	111,679	(1,284)
Sales of Property and Commodities	18,975	18,640	15,732	(2,908)
Assessments and Receipts for Support of Special Services	-	-	500	500
Institutional Revenue	304,918	381,173	344,384	(36,789)
Interest, Dividends, and Rents	394	275	318	43
Fines, Forfeitures, Court Fees, Penalties, and Escheats	809	81	1,083	1,002
Federal Grants and Contracts	-	-	8,859	8,859
Receipts from Cities, Counties, and Towns	65,075	64,823	61,933	(2,890)
Private Donations, Gifts and Contracts	22,677	3,793	4,870	1,077
Other	38,795	37,707	34,099	(3,608)
<b>Total Revenues</b>	<b>567,347</b>	<b>643,441</b>	<b>594,513</b>	<b>(48,928)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	434	616	538	78
Education	1,115	1,694	1,352	342
Transportation	-	-	-	-
Resources and Economic Development	31,605	41,429	36,476	4,953
Individual and Family Services	551,228	602,860	565,113	37,747
Administration of Justice	308	2,308	2,308	-
Capital Outlay	500	500	-	500
<b>Total Expenditures</b>	<b>585,190</b>	<b>649,407</b>	<b>605,787</b>	<b>43,620</b>
Revenues Over (Under) Expenditures	(17,843)	(5,966)	(11,274)	(5,308)
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	14,611	21,902	31,280	9,378
Transfers Out	(2,229)	(46,866)	(57,946)	(11,080)
<b>Total Other Financing Sources (Uses)</b>	<b>12,382</b>	<b>(24,964)</b>	<b>(26,666)</b>	<b>(1,702)</b>
<b>Revenues and Other Sources Over (Under)</b>				
Expenditures and Other Uses	(5,461)	(30,930)	(37,940)	(7,010)
<b>Fund Balance, July 1</b>	<b>162,231</b>	<b>162,231</b>	<b>162,231</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 156,770</b>	<b>\$ 131,301</b>	<b>\$ 124,291</b>	<b>\$ (7,010)</b>

See Notes on page 192 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)
\$ -	\$ -	\$ -	\$ -	\$ 36,937	\$ 34,137	\$ 32,672	\$ (1,465)
-	-	-	-	835	-	617	617
-	-	-	-	880	880	890	10
-	-	-	-	85	83	83	-
-	-	-	-	6,005	5,975	6,200	225
-	-	-	-	35,754	36,224	37,735	1,511
-	-	-	-	185,329	191,564	160,143	(31,421)
-	-	-	-	7,419	14,847	10,510	(4,337)
-	-	-	-	92,337	95,433	93,483	(1,950)
-	-	-	-	98,003	95,175	72,148	(23,027)
8,000	3,580	5,246	1,666	22,241	14,997	14,571	(426)
-	-	-	-	57,230	53,689	62,577	8,888
-	-	-	-	-	-	-	-
-	-	-	-	9,542	7,909	8,697	788
-	-	23	23	2,119	2,406	6,823	4,417
-	3,060	35	(3,025)	60,142	75,265	76,614	1,349
8,000	6,640	5,304	(1,336)	614,858	628,584	583,763	(44,821)
-	-	-	-	-	-	-	-
-	-	-	-	73,788	112,576	90,992	21,584
-	-	-	-	37,145	42,241	39,072	3,169
-	-	-	-	6,140	6,110	5,154	956
89,336	250,581	188,680	61,901	342,857	353,952	294,024	59,928
-	-	-	-	73,190	87,107	72,048	15,059
-	-	-	-	126,210	123,191	85,910	37,281
-	-	-	-	35,939	97,835	45,988	51,847
89,336	250,581	188,680	61,901	695,269	823,012	633,188	189,824
(81,336)	(243,941)	(183,376)	60,565	(80,411)	(194,428)	(49,425)	145,003
-	-	-	-	-	-	-	-
-	1,589	1,589	-	44,553	50,676	70,480	19,804
(100)	(100)	(307)	(207)	(10,119)	(25,541)	(32,747)	(7,206)
(100)	1,489	1,282	(207)	34,434	25,135	37,733	12,598
(81,436)	(242,452)	(182,094)	60,358	(45,977)	(169,293)	(11,692)	157,601
311,873	311,873	311,873	-	606,496	606,496	606,496	-
\$ 230,437	\$ 69,421	\$ 129,779	\$ 60,358	\$ 560,519	\$ 437,203	\$ 594,804	\$ 157,601

**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, 2009, to the fund balance on a modified accrual basis follows.

<i>(Dollars in Thousands)</i>	<b>Health and Social Services</b>	<b>Water Quality Improvement Fund</b>	<b>Other</b>
Fund Balance, Basis of Budgeting	\$ 124,291	\$ 129,779	\$ 594,804
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	-	-	6,184
Other Revenue	31,717	-	8,931
Accrued Expenditures	(15,226)	(2,160)	(29,829)
Fund Reclassification - Budget to Modified Accrual	737	-	(2,649)
Fund Balance, Modified Accrual Basis	<u>\$ 141,519</u>	<u>\$ 127,619</u>	<u>\$ 577,441</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, 2009.

<i>(Dollars in Thousands)</i>	<b>Health and Social Services</b>	<b>Water Quality Improvement Fund</b>	<b>Other</b>
Appropriations (1)	\$ 585,190	\$ 89,336	\$ 695,269
Supplemental Appropriations:			
Reappropriations (2)	500	-	134,687
Subsequent Executive (3)	48,692	159,361	95,191
Subsequent Legislative (4)	20,906	-	(16,504)
Capital Outlay Reversions (5)	-	-	(6,381)
Transfers (6)	14,619	1,884	2,971
Capital Outlay Adjustment (7)	(20,500)	-	(82,221)
Appropriations, as adjusted	<u>\$ 649,407</u>	<u>\$ 250,581</u>	<u>\$ 823,012</u>

1. Represents the budget appropriated through Chapter 879, 2008 Acts of Assembly, as amended by Chapter 781, 2009 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 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. The book shop operations have been transferred to the Library of Virginia Foundation (nonmajor component unit) effective November 1, 2009.

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

June 30, 2009

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 2,410	\$ 34,209	\$ 106,368
Investments	407	5,925	18,422
Receivables, Net	3,694	38	18,682
Due From Other Funds	112	-	-
Inventory	45,913	-	-
Prepaid Items	1,903	71	-
Other Assets	160	-	-
Total Current Assets	<u>54,599</u>	<u>40,243</u>	<u>143,472</u>
<b>Noncurrent Assets:</b>			
Investments	-	-	-
Nondepreciable Capital Assets	1,828	-	-
Depreciable Capital Assets, Net	7,201	-	-
Total Noncurrent Assets	<u>9,029</u>	<u>-</u>	<u>-</u>
Total Assets	<u>63,628</u>	<u>40,243</u>	<u>143,472</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	18,531	134	9,984
Amounts Due to Other Governments	-	-	-
Due to Other Funds	7,217	-	-
Interfund Payable	28,110	-	-
Unearned Revenue	272	731	-
Obligations Under Securities Lending Program	747	10,863	33,776
Other Liabilities	-	-	-
Claims Payable Due Within One Year	-	4,545	23,607
Long-term Liabilities Due Within One Year	3,315	20	-
Total Current Liabilities	<u>58,192</u>	<u>16,293</u>	<u>67,367</u>
<b>Noncurrent Liabilities:</b>			
Claims Payable Due in More Than One Year	-	9,115	-
Long-term Liabilities Due in More Than One Year	18,001	179	-
Total Noncurrent Liabilities	<u>18,001</u>	<u>9,294</u>	<u>-</u>
Total Liabilities	<u>76,193</u>	<u>25,587</u>	<u>67,367</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	8,065	-	-
Unrestricted	(20,630)	14,656	76,105
Total Net Assets (Deficit)	<u>\$ (12,565)</u>	<u>\$ 14,656</u>	<u>\$ 76,105</u>

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 7,715	\$ 5,146	\$ 20,152	\$ 5,627	\$ 15,596	\$ 398	\$ 134
-	-	-	-	-	-	-
1,042	192	5,820	-	4,861	37	-
-	95	1,303	-	-	-	-
3,601	34	-	-	-	227	78
47	-	-	-	-	12	-
-	-	-	-	-	1	-
<u>12,405</u>	<u>5,467</u>	<u>27,275</u>	<u>5,627</u>	<u>20,457</u>	<u>675</u>	<u>212</u>
-	-	-	-	-	-	-
485	-	-	-	-	-	-
5,506	233	291	-	-	-	-
<u>5,991</u>	<u>233</u>	<u>291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>18,396</u>	<u>5,700</u>	<u>27,566</u>	<u>5,627</u>	<u>20,457</u>	<u>675</u>	<u>212</u>
1,582	262	1,608	432	1,578	21	6
-	-	-	-	10,110	-	-
10	74	139	383	692	-	-
-	-	-	-	-	-	-
-	1,056	31	-	-	-	1
-	-	-	-	-	-	-
-	-	-	-	-	68	-
-	-	-	-	-	-	-
186	117	75	506	28	11	-
<u>1,778</u>	<u>1,509</u>	<u>1,853</u>	<u>1,321</u>	<u>12,408</u>	<u>100</u>	<u>7</u>
-	-	-	-	-	-	-
639	497	399	1,951	306	187	50
639	497	399	1,951	306	187	50
<u>2,417</u>	<u>2,006</u>	<u>2,252</u>	<u>3,272</u>	<u>12,714</u>	<u>287</u>	<u>57</u>
5,990	233	291	-	-	-	-
<u>9,989</u>	<u>3,461</u>	<u>25,023</u>	<u>2,355</u>	<u>7,743</u>	<u>388</u>	<u>155</u>
<u>\$ 15,979</u>	<u>\$ 3,694</u>	<u>\$ 25,314</u>	<u>\$ 2,355</u>	<u>\$ 7,743</u>	<u>\$ 388</u>	<u>\$ 155</u>

Continued on next page

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

June 30, 2009

(Dollars in Thousands)

	<b>Mental Health Local Funds</b>	<b>Library of Virginia</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 482	\$ -	\$ 198,237
Investments	-	-	24,754
Receivables, Net	-	4	34,370
Due From Other Funds	-	-	1,510
Inventory	-	177	50,030
Prepaid Items	-	-	2,033
Other Assets	-	-	161
<b>Total Current Assets</b>	<b>482</b>	<b>181</b>	<b>311,095</b>
<b>Noncurrent Assets:</b>			
Investments	1	-	1
Nondepreciable Capital Assets	-	-	2,313
Depreciable Capital Assets, Net	-	-	13,231
<b>Total Noncurrent Assets</b>	<b>1</b>	<b>-</b>	<b>15,545</b>
<b>Total Assets</b>	<b>483</b>	<b>181</b>	<b>326,640</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	-	8	34,146
Amounts Due to Other Governments	-	-	10,110
Due to Other Funds	-	-	8,515
Interfund Payable	-	427	28,537
Unearned Revenue	-	-	2,091
Obligations Under Securities Lending Program	-	-	45,386
Other Liabilities	179	-	247
Claims Payable Due Within One Year	-	-	28,152
Long-term Liabilities Due Within One Year	-	3	4,261
<b>Total Current Liabilities</b>	<b>179</b>	<b>438</b>	<b>161,445</b>
<b>Noncurrent Liabilities:</b>			
Claims Payable Due in More Than One Year	-	-	9,115
Long-term Liabilities Due in More Than One Year	-	22	22,231
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>22</b>	<b>31,346</b>
<b>Total Liabilities</b>	<b>179</b>	<b>460</b>	<b>192,791</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	-	-	14,579
Unrestricted	304	(279)	119,270
<b>Total Net Assets (Deficit)</b>	<b>\$ 304</b>	<b>\$ (279)</b>	<b>\$ 133,849</b>



**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –  
Nonmajor Enterprise Funds**

For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 558,894	\$ 5,324	\$ 222,498
Other	26,981	-	184
<b>Total Operating Revenues</b>	<b>585,875</b>	<b>5,324</b>	<b>222,682</b>
<b>Operating Expenses</b>			
Cost of Sales and Services	325,955	-	-
Prizes and Claims	-	4,361	214,411
Personal Services	81,706	630	-
Contractual Services	23,039	680	16,400
Supplies and Materials	2,697	4	-
Depreciation and Amortization	6,422	-	-
Rent, Insurance, and Other Related Charges	22,968	5	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other	3,851	-	-
<b>Total Operating Expenses</b>	<b>466,638</b>	<b>5,680</b>	<b>230,811</b>
<b>Operating Income (Loss)</b>	<b>119,237</b>	<b>(356)</b>	<b>(8,129)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	504	1,006	3,065
Other	(269)	(134)	(404)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>235</b>	<b>872</b>	<b>2,661</b>
<b>Income (Loss) Before Transfers</b>	<b>119,472</b>	<b>516</b>	<b>(5,468)</b>
Transfers In	39	-	-
Transfers Out	(121,753)	-	-
<b>Change in Net Assets</b>	<b>(2,242)</b>	<b>516</b>	<b>(5,468)</b>
Total Net Assets (Deficit), July 1	(10,323)	14,140	81,573
<b>Total Net Assets (Deficit), June 30</b>	<b>\$ (12,565)</b>	<b>\$ 14,656</b>	<b>\$ 76,105</b>

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 24,161	\$ 8,519	\$ 26,784	\$ 9,411	\$ 51,151	\$ 1,030	\$ 420
1	-	-	-	-	22	-
24,162	8,519	26,784	9,411	51,151	1,052	420
-	-	-	-	-	448	185
-	-	-	-	-	-	-
4,923	2,302	1,873	9,302	1,129	761	198
1,283	911	14,547	1,080	408	41	-
16,940	1,996	12	113	12	9	3
188	163	46	-	-	-	2
321	678	997	690	5	-	-
-	-	-	-	50,978	-	-
109	55	534	41	6	-	26
23,764	6,105	18,009	11,226	52,538	1,259	414
398	2,414	8,775	(1,815)	(1,387)	(207)	6
-	-	-	-	-	3	-
-	(10)	-	-	-	-	(85)
-	(10)	-	-	-	3	(85)
398	2,404	8,775	(1,815)	(1,387)	(204)	(79)
84	-	-	-	385	61	-
-	(1,953)	-	-	(7,750)	-	-
482	451	8,775	(1,815)	(8,752)	(143)	(79)
15,497	3,243	16,539	4,170	16,495	531	234
\$ 15,979	\$ 3,694	\$ 25,314	\$ 2,355	\$ 7,743	\$ 388	\$ 155

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, 2009  
(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	Total
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 499	\$ 255	\$ 908,946
Other	-	-	27,188
Total Operating Revenues	499	255	936,134
<b>Operating Expenses</b>			
Cost of Sales and Services	530	214	327,332
Prizes and Claims	-	-	218,772
Personal Services	-	121	102,945
Contractual Services	-	28	58,417
Supplies and Materials	-	8	21,794
Depreciation and Amortization	-	-	6,821
Rent, Insurance, and Other Related Charges	-	1	25,665
Non-recurring Cost Estimate Payments to Providers	-	-	50,978
Other	-	-	4,622
Total Operating Expenses	530	372	817,346
Operating Income (Loss)	(31)	(117)	118,788
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	-	-	4,578
Other	-	-	(902)
Total Nonoperating Revenues (Expenses)	-	-	3,676
Income (Loss) Before Transfers	(31)	(117)	122,464
Transfers In	8	-	577
Transfers Out	-	-	(131,456)
Change in Net Assets	(23)	(117)	(8,415)
Total Net Assets (Deficit), July 1	327	(162)	142,264
Total Net Assets (Deficit), June 30	\$ 304	\$ (279)	\$ 133,849



## Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 579,906	\$ 5,136	\$ 221,948
Receipts from Investments	-	-	-
Internal Activity-Receipts from Other Funds	-	-	-
Internal Activity-Payments to Other Funds	-	-	-
Payments to Suppliers for Goods and Services	(356,173)	-	-
Payments for Contractual Services	(23,038)	(563)	(16,358)
Payments for Prizes, Claims, and Loss Control	-	(3,935)	(207,508)
Payments to Employees	(80,428)	(749)	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-
Other Operating Revenue	5,664	-	181
Other Operating Expense	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>125,931</u>	<u>(111)</u>	<u>(1,737)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In From Other Funds	39	-	-
Transfers Out to Other Funds	(277,904)	-	-
Other Noncapital Financing Receipt Activities	184,248	-	-
Other Noncapital Financing Disbursement Activities	(31,494)	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(125,111)</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(231)	-	-
Payment of Principal and Interest on Bonds and Notes	(817)	-	-
Proceeds from Sale of Capital Assets	33	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	<u>(1,015)</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Investment Income on Cash, Cash Equivalents, and Investments	175	873	2,661
Net Cash Provided by (Used for) Investing Activities	<u>175</u>	<u>873</u>	<u>2,661</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Equivalents	(20)	762	924
<b>Cash and Cash Equivalents, July 1</b>	<u>2,250</u>	<u>28,509</u>	<u>90,090</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 2,230</u>	<u>\$ 29,271</u>	<u>\$ 91,014</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 2,410	\$ 34,209	\$ 106,368
Cash and Travel Advances	160	-	-
Less:			
Securities Lending Cash Equivalents	(340)	(4,938)	(15,354)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 2,230</u>	<u>\$ 29,271</u>	<u>\$ 91,014</u>

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 20,421	\$ 7,351	\$ 13,551	\$ 9,411	\$ 53,930	\$ 1,070	\$ 420
1	-	-	-	-	-	-
3,936	22	9,248	-	385	-	-
-	(738)	(1,175)	-	(3,739)	-	-
(17,327)	(1,905)	(36)	(961)	(30)	(416)	(185)
(1,328)	(806)	(14,117)	(1,008)	(312)	(51)	-
-	-	-	-	-	-	-
(4,841)	(2,230)	(1,815)	(9,056)	(1,144)	(738)	(189)
-	-	-	-	(46,687)	-	-
-	-	32	-	-	-	-
(468)	-	(727)	-	-	(9)	(31)
394	1,694	4,961	(1,614)	2,403	(144)	15
-	-	-	-	385	61	-
-	(1,953)	-	-	(7,750)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(85)
-	(1,953)	-	-	(7,365)	61	(85)
-	(6)	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(6)	-	-	-	-	-
-	-	-	-	-	3	-
-	-	-	-	-	3	-
394	(265)	4,961	(1,614)	(4,962)	(80)	(70)
7,321	5,411	15,191	7,241	20,558	479	204
\$ 7,715	\$ 5,146	\$ 20,152	\$ 5,627	\$ 15,596	\$ 399	\$ 134
\$ 7,715	\$ 5,146	\$ 20,152	\$ 5,627	\$ 15,596	\$ 398	\$ 134
-	-	-	-	-	1	-
-	-	-	-	-	-	-
\$ 7,715	\$ 5,146	\$ 20,152	\$ 5,627	\$ 15,596	\$ 399	\$ 134

Continued on next page

**Combining Statement of Cash Flows – Nonmajor Enterprise Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	Total
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 499	\$ 261	\$ 913,904
Receipts from Investments	-	-	1
Internal Activity-Receipts from Other Funds	-	-	13,591
Internal Activity-Payments to Other Funds	-	-	(5,652)
Payments to Suppliers for Goods and Services	(530)	(133)	(377,696)
Payments for Contractual Services	-	(28)	(57,609)
Payments for Prizes, Claims, and Loss Control	-	-	(211,443)
Payments to Employees	-	(124)	(101,314)
Payments to Providers for Non-recurring Cost Estimates	-	-	(46,687)
Other Operating Revenue	-	-	5,877
Other Operating Expense	-	(8)	(1,243)
Net Cash Provided by (Used for) Operating Activities	(31)	(32)	131,729
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In From Other Funds	8	32	525
Transfers Out to Other Funds	-	-	(287,607)
Other Noncapital Financing Receipt Activities	-	-	184,248
Other Noncapital Financing Disbursement Activities	-	-	(31,579)
Net Cash Provided by (Used for) Noncapital Financing Activities	8	32	(134,413)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	-	-	(237)
Payment of Principal and Interest on Bonds and Notes	-	-	(817)
Proceeds from Sale of Capital Assets	-	-	33
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	(1,021)
<b>Cash Flows from Investing Activities</b>			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	3,712
Net Cash Provided by (Used for) Investing Activities	-	-	3,712
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Equivalents	(23)	-	7
<b>Cash and Cash Equivalents, July 1</b>	<b>505</b>	<b>-</b>	<b>177,759</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 482</b>	<b>\$ -</b>	<b>\$ 177,766</b>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 482	\$ -	\$ 198,237
Cash and Travel Advances	-	-	161
Less:			
Securities Lending Cash Equivalents	-	-	(20,632)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 482</u>	<u>\$ -</u>	<u>\$ 177,766</u>

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ 119,237	\$ (356)	\$ (8,129)
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation and Amortization	6,422	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(445)	(14)	(1,403)
(Increase) Decrease in Due From Other Funds	-	-	-
(Increase) Decrease in Inventory	(2,033)	-	-
(Increase) Decrease in Prepaid Items	(290)	-	-
Increase (Decrease) in Accounts Payable	1,019	(13)	3,399
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	(199)	-	-
Increase (Decrease) in Due to Component Units	-	-	-
Increase (Decrease) in Unearned Revenue	141	(159)	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	(219)	4,396
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	632	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(85)	(16)	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	2,164	34	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 125,931</u>	<u>\$ (111)</u>	<u>\$ (1,737)</u>

Continued on next page

**Combining Statement of Cash Flows – Nonmajor Enterprise Funds** (Continued from previous page)For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ 398	\$ 2,414	\$ 8,775
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation and Amortization	188	163	46
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(356)	(39)	145
(Increase) Decrease in Due From Other Funds	-	90	589
(Increase) Decrease in Inventory	(550)	36	-
(Increase) Decrease in Prepaid Items	(47)	-	-
Increase (Decrease) in Accounts Payable	640	25	(2,262)
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	3	22	(56)
Increase (Decrease) in Due to Component Units	-	-	(2,373)
Increase (Decrease) in Unearned Revenue	-	(1,054)	31
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	28	4	(8)
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	90	33	74
Net Cash Provided by (Used for) Operating Activities	<u>\$ 394</u>	<u>\$ 1,694</u>	<u>\$ 4,961</u>

Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds	Library of Virginia	Total
\$ (1,815)	\$ (1,387)	\$ (207)	\$ 6	\$ (31)	\$ (117)	\$ 118,788
-	-	-	2	-	-	6,821
-	2,778	18	-	-	6	690
-	385	-	-	-	-	1,064
-	-	33	1	-	88	(2,425)
-	-	(12)	-	-	-	(349)
428	(5,005)	11	(2)	-	(10)	(1,770)
-	4,951	-	-	-	-	4,951
(587)	682	-	-	-	-	(135)
-	-	-	-	-	-	(2,373)
-	-	-	-	-	-	(1,041)
-	-	(10)	-	-	-	(10)
-	-	-	-	-	-	4,177
-	-	-	-	-	-	632
39	-	1	-	-	(2)	(39)
321	(1)	22	8	-	3	2,748
<u>\$ (1,614)</u>	<u>\$ 2,403</u>	<u>\$ (144)</u>	<u>\$ 15</u>	<u>\$ (31)</u>	<u>\$ (32)</u>	<u>\$ 131,729</u>



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# Internal Service Funds

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## 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.

**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 and for retirees who are not yet eligible to participate in Medicare.

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

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

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

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

## Combining Statement of Net Assets – Internal Service Funds

June 30, 2009

(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 28,501	\$ 7,227	\$ 313,457
Investments	-	-	54,287
Receivables, Net	2,982	3,255	20,687
Due From Other Funds	13,299	2,663	20,716
Inventory	-	11,783	-
Prepaid Items	-	160	-
Other Assets	9,497	3	-
<b>Total Current Assets</b>	<b>54,279</b>	<b>25,091</b>	<b>409,147</b>
<b>Noncurrent Assets:</b>			
Nondepreciable Capital Assets	-	662	-
Depreciable Capital Assets, Net	5,478	7,269	-
<b>Total Noncurrent Assets</b>	<b>5,478</b>	<b>7,931</b>	<b>-</b>
<b>Total Assets</b>	<b>59,757</b>	<b>33,022</b>	<b>409,147</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	32,991	904	40,927
Amounts Due to Other Governments	-	-	-
Due to Other Funds	177	71	-
Interfund Payable	-	-	-
Unearned Revenue	13,933	612	-
Obligations Under Securities Lending Program	-	-	99,534
Other Liabilities	-	-	-
Claims Payable Due Within One Year	-	-	104,911
Long-term Liabilities Due within One Year	1,179	9	-
<b>Total Current Liabilities</b>	<b>48,280</b>	<b>1,596</b>	<b>245,372</b>
<b>Noncurrent Liabilities:</b>			
Interfund Payable	-	-	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	8,932	3,169	-
<b>Total Noncurrent Liabilities</b>	<b>8,932</b>	<b>3,169</b>	<b>-</b>
<b>Total Liabilities</b>	<b>57,212</b>	<b>4,765</b>	<b>245,372</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,478	7,931	-
Unrestricted	(2,933)	20,326	163,775
<b>Total Net Assets (Deficit)</b>	<b>\$ 2,545</b>	<b>\$ 28,257</b>	<b>\$ 163,775</b>

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 2,367	\$ 14,655	\$ 150,921	\$ 4,913	\$ 522,041
-	-	25,050	-	79,337
173	535	374	1,241	29,247
442	2,498	-	751	40,369
24	351	-	3,849	16,007
-	-	39	272	471
-	-	100	1	9,601
<u>3,006</u>	<u>18,039</u>	<u>176,484</u>	<u>11,027</u>	<u>697,073</u>
-	-	-	150	812
<u>24,569</u>	<u>12,630</u>	<u>-</u>	<u>8,697</u>	<u>58,643</u>
24,569	12,630	-	8,847	59,455
<u>27,575</u>	<u>30,669</u>	<u>176,484</u>	<u>19,874</u>	<u>756,528</u>
877	2,765	1,272	1,066	80,802
-	853	-	-	853
60	560	-	153	1,021
-	220	-	632	852
25	11,112	43,016	29	68,727
-	-	45,929	-	145,463
-	250	5,281	-	5,531
-	-	62,329	-	167,240
<u>1,089</u>	<u>3,396</u>	<u>28</u>	<u>399</u>	<u>6,100</u>
<u>2,051</u>	<u>19,156</u>	<u>157,855</u>	<u>2,279</u>	<u>476,589</u>
-	4,834	-	5,058	9,892
-	-	346,727	-	346,727
<u>1,616</u>	<u>18,818</u>	<u>348</u>	<u>1,793</u>	<u>34,676</u>
1,616	23,652	347,075	6,851	391,295
<u>3,667</u>	<u>42,808</u>	<u>504,930</u>	<u>9,130</u>	<u>867,884</u>
22,181	-	-	8,847	44,437
<u>1,727</u>	<u>(12,139)</u>	<u>(328,446)</u>	<u>1,897</u>	<u>(155,793)</u>
<u>\$ 23,908</u>	<u>\$ (12,139)</u>	<u>\$ (328,446)</u>	<u>\$ 10,744</u>	<u>\$ (111,356)</u>

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

For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 268,884	\$ 47,328	\$ 945,918
Total Operating Revenues	<u>268,884</u>	<u>47,328</u>	<u>945,918</u>
<b>Operating Expenses</b>			
Cost of Sales and Services	-	33,968	-
Prizes and Claims	-	-	926,369
Personal Services	30,238	4,719	-
Contractual Services	228,613	3,389	65,784
Supplies and Materials	203	480	-
Depreciation and Amortization	5,757	1,007	-
Rent, Insurance, and Other Related Charges	3,276	1,045	-
Interest Expense	-	-	-
Other	3,729	462	-
Total Operating Expenses	<u>271,816</u>	<u>45,070</u>	<u>992,153</u>
Operating Income (Loss)	<u>(2,932)</u>	<u>2,258</u>	<u>(46,235)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	-	-	10,005
Other	245	296	(1,314)
Total Nonoperating Revenues (Expenses)	<u>245</u>	<u>296</u>	<u>8,691</u>
Income (Loss) Before Transfers	(2,687)	2,554	(37,544)
Transfers In	-	-	500
Transfers Out	(31)	(1,160)	(500)
Change in Net Assets	(2,718)	1,394	(37,544)
Total Net Assets (Deficit), July 1	5,263	26,863	201,319
Total Net Assets (Deficit), June 30	<u>\$ 2,545</u>	<u>\$ 28,257</u>	<u>\$ 163,775</u>

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 12,036	\$ 97,373	\$ 89,893	\$ 40,985	\$ 1,502,417
12,036	97,373	89,893	40,985	1,502,417
-	-	-	28,339	62,307
-	-	102,012	-	1,028,381
1,037	10,320	1,412	7,008	54,734
2,551	11,978	8,884	3,000	324,199
4,078	4,039	6	793	9,599
4,802	2,515	-	818	14,899
742	62,887	1,257	1,619	70,826
-	140	-	113	253
305	4,750	6,678	98	16,022
13,515	96,629	120,249	41,788	1,581,220
(1,479)	744	(30,356)	(803)	(78,803)
-	-	4,030	85	14,120
(485)	(6,639)	(541)	(3)	(8,441)
(485)	(6,639)	3,489	82	5,679
(1,964)	(5,895)	(26,867)	(721)	(73,124)
-	231	-	330	1,061
(1,700)	(580)	-	(251)	(4,222)
(3,664)	(6,244)	(26,867)	(642)	(76,285)
27,572	(5,895)	(301,579)	11,386	(35,071)
\$ 23,908	\$ (12,139)	\$ (328,446)	\$ 10,744	\$ (111,356)

## Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 14,137	\$ 20,975	\$ 947,527
Internal Activity-Receipts from Other Funds	253,905	24,509	-
Internal Activity-Payments to Other Funds	(1,160)	(1,148)	-
Payments to Suppliers for Goods and Services	(4,465)	(34,151)	-
Payments for Contractual Services	(220,741)	(3,228)	(66,108)
Payments for Prizes, Claims, and Loss Control	-	-	(896,336)
Payments to Employees	(29,928)	(4,281)	-
Other Operating Expense	-	(359)	-
Net Cash Provided by (Used for) Operating Activities	<u>11,748</u>	<u>2,317</u>	<u>(14,917)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In From Other Funds	-	-	500
Transfers Out to Other Funds	(31)	(1,321)	(500)
Other Noncapital Financing Receipt Activities	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(31)</u>	<u>(1,321)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(1,197)	(1,461)	-
Payment of Principal and Interest on Bonds and Notes	(148)	-	-
Proceeds from Sale of Capital Assets	-	14	-
Other Capital and Related Financing Receipt Activities	-	-	-
Other Capital and Related Financing Disbursement Activities	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	<u>(1,345)</u>	<u>(1,447)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	8,691
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>8,691</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,372	(451)	(6,226)
<b>Cash and Cash Equivalents, July 1</b>	<u>18,129</u>	<u>7,681</u>	<u>274,436</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 28,501</u>	<u>\$ 7,230</u>	<u>\$ 268,210</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 28,501	\$ 7,227	\$ 313,457
Cash and Travel Advances	-	3	-
Less:			
Securities Lending Cash Equivalents	-	-	(45,247)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 28,501</u>	<u>\$ 7,230</u>	<u>\$ 268,210</u>

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 1,724	\$ 6,249	\$ 32,793	\$ 12,195	\$ 1,035,600
11,762	89,984	59,687	29,387	469,234
(2,894)	(3,623)	-	(2,748)	(11,573)
(3,456)	(69,154)	(6)	(29,008)	(140,240)
(1,712)	(11,216)	(8,833)	(2,360)	(314,198)
-	-	(68,463)	-	(964,799)
(972)	(9,712)	(1,343)	(6,718)	(52,954)
(268)	(2,056)	(7,974)	-	(10,657)
<u>4,184</u>	<u>472</u>	<u>5,861</u>	<u>748</u>	<u>10,413</u>
-	231	-	330	1,061
(1,700)	(580)	-	(251)	(4,383)
-	800	-	154	954
<u>(1,700)</u>	<u>451</u>	<u>-</u>	<u>233</u>	<u>(2,368)</u>
(2,366)	(40)	-	(72)	(5,136)
(983)	-	-	-	(1,131)
561	-	-	-	575
-	49	-	-	49
-	-	-	(632)	(632)
<u>(2,788)</u>	<u>9</u>	<u>-</u>	<u>(704)</u>	<u>(6,275)</u>
-	-	3,489	-	12,180
-	-	3,489	-	12,180
(304)	932	9,350	277	13,950
<u>2,671</u>	<u>13,723</u>	<u>120,792</u>	<u>4,637</u>	<u>442,069</u>
<u>\$ 2,367</u>	<u>\$ 14,655</u>	<u>\$ 130,142</u>	<u>\$ 4,914</u>	<u>\$ 456,019</u>
\$ 2,367	\$ 14,655	\$ 150,921	\$ 4,913	\$ 522,041
-	-	100	1	104
-	-	(20,879)	-	(66,126)
<u>\$ 2,367</u>	<u>\$ 14,655</u>	<u>\$ 130,142</u>	<u>\$ 4,914</u>	<u>\$ 456,019</u>

Continued on next page

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

For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ (2,932)	\$ 2,258	\$ (46,235)
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation and Amortization	5,757	1,007	-
Miscellaneous Nonoperating Income	-	490	-
Other Expenses	-	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	1,024	(1,288)	8,958
(Increase) Decrease in Due From Other Funds	131	(822)	1,275
(Increase) Decrease in Other Assets	(3,030)	-	-
(Increase) Decrease in Inventory	-	508	-
(Increase) Decrease in Prepaid Items	58	-	-
Increase (Decrease) in Accounts Payable	9,271	(286)	13,805
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	(50)	(6)	-
Increase (Decrease) in Interfund Payable	-	-	-
Increase (Decrease) in Unearned Revenue	1,032	(11)	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	7,280
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(356)	5	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	843	462	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 11,748</u>	<u>\$ 2,317</u>	<u>\$ (14,917)</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
The following transactions occurred prior to the statement of net assets date:			
Capital Assets Transferred from State Agencies	\$ -	\$ -	\$ -
New Capital Leases	-	-	-
Trade-ins of Used Equipment on New Equipment	-	10	-
Capital Asset Addition Included in Accounts Payable	7	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 7</u>	<u>\$ 10</u>	<u>\$ -</u>

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ (1,479)	\$ 744	\$ (30,356)	\$ (803)	\$ (78,803)
4,802	2,515	-	818	14,899
-	-	-	-	490
-	(3,016)	-	-	(3,016)
188	(498)	197	162	8,743
1,269	(1,211)	-	509	1,151
-	-	-	-	(3,030)
-	(45)	-	30	493
-	-	(39)	228	247
(605)	801	197	(416)	22,767
-	184	-	-	184
(58)	202	-	(49)	39
-	(210)	-	(32)	(242)
1	408	2,389	4	3,823
-	(44)	(116)	-	(160)
-	-	3,929	-	11,209
-	-	29,593	-	29,593
1	69	(14)	(1)	(296)
65	573	81	298	2,322
<u>\$ 4,184</u>	<u>\$ 472</u>	<u>\$ 5,861</u>	<u>\$ 748</u>	<u>\$ 10,413</u>
\$ -	\$ 17,339	\$ -	\$ -	\$ 17,339
-	1,620	-	-	1,620
-	-	-	-	10
605	13	-	-	625
<u>\$ 605</u>	<u>\$ 18,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,594</u>

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# Fiduciary Funds

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## 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, College America, and College Wealth 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.

**Gas & Oil Board Fund** accounts for the funds held in escrow awaiting disbursement to the validated owner of property containing gas and oil interest.

**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) or the Department of Accounts.*

**The Virginia Retirement System** provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

**The State Police Officers' Retirement System** provides retirement benefits to Virginia state police officers.

**The Judicial Retirement System** provides retirement benefits to the Commonwealth's judiciary.

**The Virginia Law Officers' Retirement System** provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

**Political Appointees** provides optional retirement benefits to selected officials and administrative staff.

**The Public School Superintendents' Plan** provides retirement benefits to superintendents in the public school system.

**The Virginia Supplemental Retirement Plan** provides extra benefits to turn-around specialists in the public school system.

**Other Post-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 Post-Employment Disability Insurance Trust Fund** provides income protection to Commonwealth employees for absences caused by sickness or disability.

**Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund** provides optional retirement benefits to volunteer firefighters and rescue squad workers.

**Other Post-Employment Line of Duty Death and Disability** provides death and health benefits to beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty.

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## Investment Trust Fund

*Investment Trust Fund reflects the external portion of the local government investment pool sponsored by the Commonwealth.*

**Local Government Investment Pool (LGIP)** helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

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## Agency Funds

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

**Funds for the Collection of Taxes and Fees** account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

**Employee Benefits Fund** accounts for undistributed withholdings for employee benefits.

**Contractor 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 non-patients 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. During fiscal year 2009, the previously reported custodial balances were replaced with an irrevocable letter of credit which eliminated reported balances.

**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. Funds were dissolved during fiscal year 2009.

**Third Party Administrator Fund** (formerly the Commuter Rail Fund) accounts for funds held in custody for assets of the Virginia Railway Express and the van pool insurance program.

**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.

**Virginia Veterans Care Center Resident Fund** accounts for the savings of residents of the Virginia Veterans Care Center.

**Virginia Individual Development Account Trust Fund** accounts for funds used to benefit low income individuals and to assist them in purchasing affordable housing.

**Combining Statement of Fiduciary Net Assets – Private Purpose Funds**

June 30, 2009

(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	\$ 39,865	\$ 29,922	\$ 210
Investments:			
Bonds and Mortgage Securities	2	-	-
Stocks	165,780	40,796	-
Index and Pooled Funds	-	261,671	-
Mutual and Money Market Funds	24,925	21,663,438	-
Other	57	183,131	-
Total Investments	<u>190,764</u>	<u>22,149,036</u>	<u>-</u>
Receivables, Net:			
Accounts	-	-	-
Interest and Dividends	-	1,086	-
Total Receivables	<u>-</u>	<u>1,086</u>	<u>-</u>
Prepaid Items	174	-	-
Total Assets	<u>230,803</u>	<u>22,180,044</u>	<u>210</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	182	3,539	-
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	206	-
Compensated Absences Payable	232	-	-
Pension Liability	538	-	-
Other Post Employment Benefits (OPEB) Liability	88	-	-
Total Liabilities	<u>1,040</u>	<u>3,745</u>	<u>-</u>
Net Assets Held in Trust for Participants	<u>\$ 229,763</u>	<u>\$ 22,176,299</u>	<u>\$ 210</u>

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Gas and Oil Board Escrow Account</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ 577	\$ 6,371	\$ 24,651	\$ 36	\$ 101,632
-	-	-	-	2
-	-	-	-	206,576
-	-	-	-	261,671
-	-	-	-	21,688,363
-	478	-	30	183,696
-	478	-	30	22,340,308
-	19	-	-	19
-	-	-	-	1,086
-	19	-	-	1,105
-	-	-	-	174
577	6,868	24,651	66	22,443,219
-	4	-	-	3,725
-	877	-	-	877
-	-	-	-	206
-	3	-	-	235
-	13	-	-	551
-	2	-	-	90
-	899	-	-	5,684
<u>\$ 577</u>	<u>\$ 5,969</u>	<u>\$ 24,651</u>	<u>\$ 66</u>	<u>\$ 22,437,535</u>

**Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds**

For the Fiscal Year June 30, 2009  
(Dollars in Thousands)

	<u>Unclaimed Property</u>	<u>Education Savings Trust Funds</u>	<u>Loan Servicing Reserve</u>
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income (Loss)	\$ -	\$ (5,628,297)	\$ -
<b>Total Investment Income (Loss)</b>	<b>-</b>	<b>(5,628,297)</b>	<b>-</b>
Less Investment Expenses	-	20,737	-
<b>Net Investment Income (Loss)</b>	<b>-</b>	<b>(5,649,034)</b>	<b>-</b>
Proceeds from Unclaimed Property	117,935	-	-
<b>Contributions:</b>			
Participants	-	5,170,349	-
<b>Total Contributions</b>	<b>-</b>	<b>5,170,349</b>	<b>-</b>
Other Revenue	-	-	-
<b>Total Additions</b>	<b>117,935</b>	<b>(478,685)</b>	<b>-</b>
<b>Deductions:</b>			
Loan Servicing Payments	-	-	23
Educational Expense Benefits	-	1,296,052	-
Insurance Premiums and Claims	24,141	-	-
Trust Payments	-	-	-
Administrative Expenses	4,442	20,156	300
Shares Redeemed	-	1,952,182	-
<b>Total Deductions</b>	<b>28,583</b>	<b>3,268,390</b>	<b>323</b>
Net Increase (Decrease)	89,352	(3,747,075)	(323)
Net Assets Held in Trust for Participants			
<b>July 1, as restated</b>	<b>140,411</b>	<b>25,923,374</b>	<b>533</b>
<b>June 30</b>	<b>\$ 229,763</b>	<b>\$ 22,176,299</b>	<b>\$ 210</b>

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Gas and Oil Board Escrow Account</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ -	\$ 183	\$ 143	\$ 1	\$ (5,627,970)
-	183	143	1	(5,627,970)
-	-	-	-	20,737
-	183	143	1	(5,648,707)
-	-	-	-	117,935
-	-	3,606	-	5,173,955
-	-	3,606	-	5,173,955
3	-	-	-	3
3	183	3,749	1	(356,814)
-	78	-	-	101
-	-	-	-	1,296,052
-	-	-	-	24,141
-	-	616	1	617
250	13	-	-	25,161
-	-	-	-	1,952,182
250	91	616	1	3,298,254
(247)	92	3,133	-	(3,655,068)
824	5,877	21,518	66	26,092,603
\$ 577	\$ 5,969	\$ 24,651	\$ 66	\$ 22,437,535

## Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

June 30, 2009

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
<b>Assets</b>			
Cash and Cash Equivalents	\$ 117,606	\$ 1,473	\$ 864
Investments:			
Bonds and Mortgage Securities	17,431,036	212,343	124,511
Stocks	11,322,251	137,926	80,875
Fixed Income Commingled Funds	1,694,932	20,647	12,107
Index and Pooled Funds	3,642,428	44,372	26,018
Real Estate	2,652,341	32,311	18,946
Private Equity	3,551,329	43,262	25,367
Short-term Investments	79,043	963	564
Other	1,762,630	21,472	12,591
Total Investments	<u>42,135,990</u>	<u>513,296</u>	<u>300,979</u>
Receivables, Net:			
Contributions	150,481	1,087	1,026
Interest and Dividends	148,512	1,809	1,061
Security Transactions	1,732,983	21,111	12,379
Other Receivables	736,562	8,944	5,245
Total Receivables	<u>2,768,538</u>	<u>32,951</u>	<u>19,711</u>
Furniture and Equipment	6,440	-	-
Total Assets	<u>45,028,574</u>	<u>547,720</u>	<u>321,554</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	71,267	844	495
Obligations Under Securities Lending Program	1,770,634	21,570	12,648
Other Liabilities	805,110	9,794	5,743
Retirement Benefits Payable	202,271	3,574	2,424
Refunds Payable	4,387	5	-
Compensated Absences Payable	1,851	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	2,283,300	27,814	16,310
Pension Liability	4,428	53	31
Other Post Employment Benefits (OPEB) Liability	717	8	5
Total Liabilities	<u>5,143,965</u>	<u>63,662</u>	<u>37,656</u>
Net Assets Held in Trust for Pension/Other Employment			
Benefits, Pool Participants and Other Purposes	<u>\$ 39,884,609</u>	<u>\$ 484,058</u>	<u>\$ 283,898</u>

<u>Virginia Law Officers' Retirement System</u>	<u>Political Appointees</u>	<u>Public School Superintendents</u>	<u>Virginia Supplemental Retirement Plan</u>	<u>Other Post-Employment Retiree Health Insurance Credit</u>	<u>Other Employment Group Life</u>	<u>Other Post-Employment Disability Insurance Trust Fund</u>
\$ 2,095	\$ -	\$ -	\$ -	\$ 704	\$ 2,287	\$ 867
302,020	1,828	45	74	101,516	329,639	125,076
196,176	2,254	32	-	65,939	214,115	81,243
29,367	-	-	-	9,871	32,053	12,162
63,111	931	-	-	21,213	68,882	26,136
45,956	-	-	-	15,447	50,158	19,032
61,532	-	-	-	20,682	67,159	25,483
1,369	-	-	-	460	1,495	567
30,540	-	-	-	10,265	33,333	12,648
<u>730,071</u>	<u>5,013</u>	<u>77</u>	<u>74</u>	<u>245,393</u>	<u>796,834</u>	<u>302,347</u>
2,829	-	-	-	10,164	7,583	1,673
2,573	-	-	-	865	2,809	1,066
30,027	-	-	-	10,093	32,772	12,435
12,722	-	-	-	4,288	13,885	10,246
48,151	-	-	-	25,410	57,049	25,420
-	-	-	-	-	-	-
<u>780,317</u>	<u>5,013</u>	<u>77</u>	<u>74</u>	<u>271,507</u>	<u>856,170</u>	<u>328,634</u>
1,200	-	-	-	9,746	1,310	3,136
30,679	-	-	-	10,312	33,484	12,705
13,929	-	-	-	4,885	15,203	5,769
4,292	-	-	-	-	-	-
50	-	-	-	1,272	750	160
-	-	-	-	-	-	-
-	-	-	-	-	48,431	-
39,561	-	-	-	13,298	43,180	16,383
53	-	-	-	76	133	146
11	-	-	-	13	18	30
<u>89,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,602</u>	<u>142,509</u>	<u>38,329</u>
<u>\$ 690,542</u>	<u>\$ 5,013</u>	<u>\$ 77</u>	<u>\$ 74</u>	<u>\$ 231,905</u>	<u>\$ 713,661</u>	<u>\$ 290,305</u>

Continued on next page

**Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds**  
*(Continued from previous page)*

June 30, 2009

(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Post-Employment Line of Duty Death and Disability	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ -	\$ 3,254	\$ 129,150
Investments:			
Bonds and Mortgage Securities	241	-	18,628,329
Stocks	-	-	12,100,811
Fixed Income Commingled Funds	-	-	1,811,139
Index and Pooled Funds	-	-	3,893,091
Real Estate	-	-	2,834,191
Private Equity	-	-	3,794,814
Short-term Investments	-	32	84,493
Other	1,038	-	1,884,517
<b>Total Investments</b>	<b>1,279</b>	<b>32</b>	<b>45,031,385</b>
Receivables, Net:			
Contributions	-	-	174,843
Interest and Dividends	-	-	158,695
Security Transactions	-	-	1,851,800
Other Receivables	-	-	791,892
<b>Total Receivables</b>	<b>-</b>	<b>-</b>	<b>2,977,230</b>
Furniture and Equipment	-	-	6,440
<b>Total Assets</b>	<b>1,279</b>	<b>3,286</b>	<b>48,144,205</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	-	-	87,998
Obligations Under Securities Lending Program	-	58	1,892,090
Other Liabilities	-	-	860,433
Retirement Benefits Payable	-	-	212,561
Refunds Payable	-	-	6,624
Compensated Absences Payable	-	-	1,851
Insurance Premiums and Claims Payable	-	-	48,431
Payable for Security Transactions	-	-	2,439,846
Pension Liability	-	-	4,920
Other Post Employment Benefits (OPEB) Liability	-	-	802
<b>Total Liabilities</b>	<b>-</b>	<b>58</b>	<b>5,555,556</b>
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes	<b>\$ 1,279</b>	<b>\$ 3,228</b>	<b>\$ 42,588,649</b>



**Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds**

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
<b>Additions:</b>			
Investment Income (Loss)	\$ (10,826,428)	\$ (132,507)	\$ (75,985)
Total Investment Income (Loss)	(10,826,428)	(132,507)	(75,985)
Less Investment Expenses	279,590	3,422	1,962
Net Investment Income (Loss)	(11,106,018)	(135,929)	(77,947)
<b>Contributions:</b>			
Member	764,016	5,091	3,063
Employer	1,214,972	20,189	21,001
Total Contributions	1,978,988	25,280	24,064
Other Revenue	8,668	87	50
Total Additions	(9,118,362)	(110,562)	(53,833)
<b>Deductions:</b>			
Retirement Benefits	2,617,313	40,919	29,101
Refunds to Former Members	86,688	469	40
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	-	-
Administrative Expenses	31,865	353	206
Other Expenses	265	-	-
Long-term Disability Benefits	-	-	-
Total Deductions	2,736,131	41,741	29,347
<b>Transfers:</b>			
Transfers In	-	-	-
Transfers Out	(403)	-	-
Total Transfers	(403)	-	-
Net Increase (Decrease)	(11,854,896)	(152,303)	(83,180)
Net Assets Held in Trust for Pension/Other Employment			
Benefits, Pool Participants and Other Purposes			
<b>July 1</b>	51,739,505	636,361	367,078
<b>June 30</b>	\$ 39,884,609	\$ 484,058	\$ 283,898

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Post-Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Post-Employment Disability Insurance Trust Fund
\$ (176,553)	\$ (858)	\$ (7)	\$ 4	\$ (48,865)	\$ (200,273)	\$ (63,967)
(176,553)	(858)	(7)	4	(48,865)	(200,273)	(63,967)
4,559	-	-	-	1,262	5,172	1,652
(181,112)	(858)	(7)	4	(50,127)	(205,445)	(65,619)
18,083	335	21	20	-	80,707	-
50,988	418	-	-	146,333	54,356	71,337
69,071	753	21	20	146,333	135,063	71,337
116	-	-	-	32	131	42
(111,925)	(105)	14	24	96,238	(70,251)	5,760
45,890	151	-	4	-	-	-
4,151	-	-	-	-	-	-
-	-	-	-	115,278	-	-
-	-	-	-	-	151,669	-
489	11	-	-	623	727	814
-	-	-	-	-	714	-
-	-	-	-	-	-	28,016
50,530	162	-	4	115,901	153,110	28,830
403	-	-	-	-	-	-
-	-	-	-	-	-	-
403	-	-	-	-	-	-
(162,052)	(267)	14	20	(19,663)	(223,361)	(23,070)
852,594	5,280	63	54	251,568	937,022	313,375
\$ 690,542	\$ 5,013	\$ 77	\$ 74	\$ 231,905	\$ 713,661	\$ 290,305

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**Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds**  
*(Continued from previous page)*

For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Post-Employment Line of Duty Death and Disability	Total
<b>Additions:</b>			
Investment Income (Loss)	\$ (265)	\$ 50	\$ (11,525,654)
Total Investment Income (Loss)	(265)	50	(11,525,654)
Less Investment Expenses	-	-	297,619
Net Investment Income (Loss)	(265)	50	(11,823,273)
<b>Contributions:</b>			
Member	42	-	871,378
Employer	95	8,512	1,588,201
Total Contributions	137	8,512	2,459,579
Other Revenue	-	-	9,126
Total Additions	(128)	8,562	(9,354,568)
<b>Deductions:</b>			
Retirement Benefits	-	-	2,733,378
Refunds to Former Members	8	-	91,356
Retiree Health Insurance Credits	-	-	115,278
Insurance Premiums and Claims	-	8,243	159,912
Administrative Expenses	-	115	35,203
Other Expenses	-	6	985
Long-term Disability Benefits	-	-	28,016
Total Deductions	8	8,364	3,164,128
<b>Transfers:</b>			
Transfers In	-	-	403
Transfers Out	-	-	(403)
Total Transfers	-	-	-
Net Increase (Decrease)	(136)	198	(12,518,696)
Net Assets Held in Trust for Pension/Other Employment			
Benefits, Pool Participants and Other Purposes			
<b>July 1</b>	1,415	3,030	55,107,345
<b>June 30</b>	\$ 1,279	\$ 3,228	\$ 42,588,649



**Combining Statement of Fiduciary Net Assets – Investment Trust Fund**

June 30, 2009

(Dollars in Thousands)

	<b>Local Government Investment Pool (LGIP)</b>	<b>Total</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,600,954	\$ 1,600,954
Investments:		
Bonds and Mortgage Securities	516,641	516,641
Short-term Investments	1,582,299	1,582,299
Total Investments	<u>2,098,940</u>	<u>2,098,940</u>
Receivables, Net:		
Interest and Dividends	3,324	3,324
Total Receivables	<u>3,324</u>	<u>3,324</u>
Total Assets	<u>3,703,218</u>	<u>3,703,218</u>
<b>Liabilities</b>		
Due to Internal Parties (Governmental Funds and Business-type Activities)	27	27
Total Liabilities	<u>27</u>	<u>27</u>
<b>Net Assets Held in Trust for</b>		
Pool Participants	<u>\$ 3,703,191</u>	<u>\$ 3,703,191</u>

**Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Fund**

For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	<b>Local Government Investment Pool (LGIP)</b>	<b>Total</b>
<b>Additions:</b>		
<b>Investment Income:</b>		
Interest, Dividends, and Other		
Investment Income	\$ 48,726	\$ 48,726
Distributions to Shareholders from Net Investment Income	(48,726)	(48,726)
Total Investment Income	-	-
Net Investment Income	-	-
Shares Sold	6,132,742	6,132,742
Reinvested Distributions	48,795	48,795
Total Additions	6,181,537	6,181,537
<b>Deductions:</b>		
Shares Redeemed	(5,967,770)	(5,967,770)
Total Deductions	(5,967,770)	(5,967,770)
Net Increase	213,767	213,767
Net Assets Held in Trust for Pool Participants		
<b>July 1</b>	3,489,424	3,489,424
<b>June 30</b>	\$ 3,703,191	\$ 3,703,191

**Combining Statement of Fiduciary Net Assets – Agency Funds**

June 30, 2009

(Dollars in Thousands)

	Funds for the Collection of Taxes	Employee Benefits	Contractor Deposits
<b>Assets</b>			
Cash and Cash Equivalents	\$ 147,914	\$ 3,657	\$ 27,076
Investments:			
Short-term Investments	6,980	-	2,130
Other Investments	-	-	-
Total Investments	<u>6,980</u>	<u>-</u>	<u>2,130</u>
Receivables, Net:			
Accounts	148,795	-	-
Total Receivables	<u>148,795</u>	<u>-</u>	<u>-</u>
Due from Internal Parties (Governmental and Business-type Activities)	-	-	-
Total Assets	<u>\$ 303,689</u>	<u>\$ 3,657</u>	<u>\$ 29,206</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ -	\$ 3,657	\$ -
Amounts Due to Other Governments	290,891	-	-
Due to Internal Parties (Governmental and Business-type Activities)	-	-	-
Obligations Under Securities Lending Program	12,798	-	3,905
Other Liabilities	-	-	25,301
Insurance Premiums and Claims Payable	-	-	-
Total Liabilities	<u>\$ 303,689</u>	<u>\$ 3,657</u>	<u>\$ 29,206</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
\$ 31,910	\$ 8,389	\$ 17,425	\$ 2,821	\$ 27	\$ 692	\$ 10,211
59,399	-	-	-	-	-	-
334,729	-	-	157	-	-	-
394,128	-	-	157	-	-	-
16	65	-	-	-	-	-
16	65	-	-	-	-	-
-	116	-	-	-	-	-
\$ 426,054	\$ 8,570	\$ 17,425	\$ 2,978	\$ 27	\$ 692	\$ 10,211
\$ -	\$ 7,541	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	10,211
-	158	-	-	-	-	-
-	-	-	-	-	-	-
426,054	871	17,425	2,978	27	692	-
-	-	-	-	-	-	-
\$ 426,054	\$ 8,570	\$ 17,425	\$ 2,978	\$ 27	\$ 692	\$ 10,211

Continued on next page

**Combining Statement of Fiduciary Net Assets – Agency Funds** *(Continued from previous page)*

June 30, 2009

(Dollars in Thousands)

	Legal Settlement	Consumer Services	State Asset Forfeiture
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,226	\$ 1,189	\$ 5,515
Investments:			
Short-term Investments	186	-	203
Other Investments	-	-	-
Total Investments	186	-	203
Receivables, Net:			
Accounts	-	-	-
Total Receivables	-	-	-
Due from Internal Parties (Governmental and Business-type Activities)	-	-	-
Total Assets	\$ 1,412	\$ 1,189	\$ 5,718
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ -	\$ 3	\$ -
Amounts Due to Other Governments	-	-	-
Due to Internal Parties (Governmental and Business-type Activities)	-	-	-
Obligations Under Securities Lending Program	340	-	373
Other Liabilities	1,072	1,186	5,345
Insurance Premiums and Claims Payable	-	-	-
Total Liabilities	\$ 1,412	\$ 1,189	\$ 5,718

Aviation	Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Dog and Cat Sterilization	Third Party Administrator	Department of Environmental Quality	Virginia Veterans' Care Center Resident Fund
\$ -	\$ 33	\$ 5	\$ -	\$ 10,423	\$ 296	\$ 138
-	-	-	-	1,805	-	-
-	-	-	-	-	-	-
-	-	-	-	1,805	-	-
-	-	-	-	3	-	-
-	-	-	-	3	-	-
-	-	-	-	-	-	-
\$ -	\$ 33	\$ 5	\$ -	\$ 12,231	\$ 296	\$ 138
\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,310	-	-
-	33	5	-	8,322	296	138
-	-	-	-	595	-	-
\$ -	\$ 33	\$ 5	\$ -	\$ 12,231	\$ 296	\$ 138

Continued on next page

**Combining Statement of Fiduciary Net Assets – Agency Funds** *(Continued from previous page)*

June 30, 2009

(Dollars in Thousands)

	Virginia Individual Development Account Trust Fund	Total
<b>Assets</b>		
Cash and Cash Equivalents	\$ 157	\$ 269,104
Investments:		
Short-term Investments	-	70,703
Other Investments	-	334,886
Total Investments	-	405,589
Receivables, Net:		
Accounts	-	148,879
Total Receivables	-	148,879
Due from Internal Parties (Governmental and Business-type Activities)	-	116
Total Assets	\$ 157	\$ 823,688
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ -	\$ 11,205
Amounts Due to Other Governments	-	301,102
Due to Internal Parties (Governmental and Business-type Activities)	-	158
Obligations Under Securities Lending Program	-	20,726
Other Liabilities	157	489,902
Insurance Premiums and Claims Payable	-	595
Total Liabilities	\$ 157	\$ 823,688

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds**

For the Fiscal Year Ended June 30, 2009  
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
<b>Funds for the Collection of Taxes and Fees</b>				
Assets:				
Cash and Cash Equivalents	\$ 165,138	\$ 1,810,239	\$ 1,827,463	\$ 147,914
Short-term Investments	8,569	6,980	8,569	6,980
Accounts Receivable	163,551	148,795	163,551	148,795
Total Assets	<u>\$ 337,258</u>	<u>\$ 1,966,014</u>	<u>\$ 1,999,583</u>	<u>\$ 303,689</u>
Liabilities:				
Amounts Due to Other Governments	\$ 326,414	\$ 1,953,216	\$ 1,988,739	\$ 290,891
Obligations Under Securities Lending Program	10,844	12,798	10,844	12,798
Total Liabilities	<u>\$ 337,258</u>	<u>\$ 1,966,014</u>	<u>\$ 1,999,583</u>	<u>\$ 303,689</u>
<b>Employee Benefits</b>				
Assets:				
Cash and Cash Equivalents	\$ 4,041	\$ 258,174	\$ 258,558	\$ 3,657
Total Assets	<u>\$ 4,041</u>	<u>\$ 258,174</u>	<u>\$ 258,558</u>	<u>\$ 3,657</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 4,041	\$ 258,174	\$ 258,558	\$ 3,657
Total Liabilities	<u>\$ 4,041</u>	<u>\$ 258,174</u>	<u>\$ 258,558</u>	<u>\$ 3,657</u>
<b>Contractors Deposit Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 27,766	\$ 10,761	\$ 11,451	\$ 27,076
Short-term Investments	2,228	2,130	2,228	2,130
Total Assets	<u>\$ 29,994</u>	<u>\$ 12,891</u>	<u>\$ 13,679</u>	<u>\$ 29,206</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 2,819	\$ 3,905	\$ 2,819	\$ 3,905
Other Liabilities	27,175	8,986	10,860	25,301
Total Liabilities	<u>\$ 29,994</u>	<u>\$ 12,891</u>	<u>\$ 13,679</u>	<u>\$ 29,206</u>
<b>Deposits of Insurance Carriers</b>				
Assets:				
Cash and Cash Equivalents	\$ 31,957	\$ 45,310	\$ 45,357	\$ 31,910
Short-term Investments	73,663	59,399	73,663	59,399
Other Investments	312,488	64,323	42,082	334,729
Accounts Receivable	16	389	389	16
Total Assets	<u>\$ 418,124</u>	<u>\$ 169,421</u>	<u>\$ 161,491</u>	<u>\$ 426,054</u>
Liabilities:				
Other Liabilities	\$ 418,124	\$ 169,421	\$ 161,491	\$ 426,054
Total Liabilities	<u>\$ 418,124</u>	<u>\$ 169,421</u>	<u>\$ 161,491</u>	<u>\$ 426,054</u>
<b>Inmate and Ward</b>				
Assets:				
Cash and Cash Equivalents	\$ 8,359	\$ 587	\$ 557	\$ 8,389
Accounts Receivable	413	9	357	65
Due from Internal Parties (Governmental Funds and Business-type Activities)	-	116	-	116
Total Assets	<u>\$ 8,772</u>	<u>\$ 712</u>	<u>\$ 914</u>	<u>\$ 8,570</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 7,720	\$ 104	\$ 283	\$ 7,541
Due to Internal Parties (Governmental Funds and Business-type Activities)	182	-	24	158
Other Liabilities	870	146	145	871
Total Liabilities	<u>\$ 8,772</u>	<u>\$ 250</u>	<u>\$ 452</u>	<u>\$ 8,570</u>

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, 2009  
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
<b>Child Support Collections</b>				
Assets:				
Cash and Cash Equivalents	\$ 15,024	\$ 630,811	\$ 628,410	\$ 17,425
Total Assets	\$ 15,024	\$ 630,811	\$ 628,410	\$ 17,425
Liabilities:				
Other Liabilities	\$ 15,024	\$ 630,811	\$ 628,410	\$ 17,425
Total Liabilities	\$ 15,024	\$ 630,811	\$ 628,410	\$ 17,425
<b>Mental Health Patient</b>				
Assets:				
Cash and Cash Equivalents	\$ 2,601	\$ 4,797	\$ 4,577	\$ 2,821
Other Investments	135	35	13	157
Total Assets	\$ 2,736	\$ 4,832	\$ 4,590	\$ 2,978
Liabilities:				
Other Liabilities	\$ 2,736	\$ 4,832	\$ 4,590	\$ 2,978
Total Liabilities	\$ 2,736	\$ 4,832	\$ 4,590	\$ 2,978
<b>Mental Health Non-Patient</b>				
Assets:				
Cash and Cash Equivalents	\$ 24	\$ 9	\$ 6	\$ 27
Total Assets	\$ 24	\$ 9	\$ 6	\$ 27
Liabilities:				
Other Liabilities	\$ 24	\$ 9	\$ 6	\$ 27
Total Liabilities	\$ 24	\$ 9	\$ 6	\$ 27
<b>Comptrollers Debt Setoff</b>				
Assets:				
Cash and Cash Equivalents	\$ 603	\$ 10,925	\$ 10,836	\$ 692
Total Assets	\$ 603	\$ 10,925	\$ 10,836	\$ 692
Liabilities:				
Other Liabilities	\$ 603	\$ 10,925	\$ 10,836	\$ 692
Total Liabilities	\$ 603	\$ 10,925	\$ 10,836	\$ 692
<b>Unclaimed Property of Other States</b>				
Assets:				
Cash and Cash Equivalents	\$ 15,883	\$ 5,145	\$ 10,817	\$ 10,211
Total Assets	\$ 15,883	\$ 5,145	\$ 10,817	\$ 10,211
Liabilities:				
Amounts Due to Other Governments	\$ 15,883	\$ 5,145	\$ 10,817	\$ 10,211
Total Liabilities	\$ 15,883	\$ 5,145	\$ 10,817	\$ 10,211
<b>Legal Settlement</b>				
Assets:				
Cash and Cash Equivalents	\$ 3,093	\$ 230	\$ 2,097	\$ 1,226
Short-term Investments	260	186	260	186
Total Assets	\$ 3,353	\$ 416	\$ 2,357	\$ 1,412
Liabilities:				
Obligations Under Securities Lending Program	\$ 328	\$ 340	\$ 328	\$ 340
Other Liabilities	3,025	75	2,028	1,072
Total Liabilities	\$ 3,353	\$ 415	\$ 2,356	\$ 1,412

	Balance July 1	Additions	Deletions	Balance June 30
<b>Consumer Services</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,223	\$ 117	\$ 151	\$ 1,189
Total Assets	<u>\$ 1,223</u>	<u>\$ 117</u>	<u>\$ 151</u>	<u>\$ 1,189</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 3	\$ 28	\$ 28	\$ 3
Other Liabilities	1,220	90	124	1,186
Total Liabilities	<u>\$ 1,223</u>	<u>\$ 118</u>	<u>\$ 152</u>	<u>\$ 1,189</u>
<b>State Asset Forfeiture Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 5,149	\$ 6,115	\$ 5,749	\$ 5,515
Short-term Investments	250	203	250	203
Total Assets	<u>\$ 5,399</u>	<u>\$ 6,318</u>	<u>\$ 5,999</u>	<u>\$ 5,718</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 317	\$ 373	\$ 317	\$ 373
Other Liabilities	5,082	5,946	5,683	5,345
Total Liabilities	<u>\$ 5,399</u>	<u>\$ 6,319</u>	<u>\$ 6,000</u>	<u>\$ 5,718</u>
<b>Aviation</b>				
Assets:				
Cash and Cash Equivalents	\$ 58	\$ 1	\$ 59	\$ -
Total Assets	<u>\$ 58</u>	<u>\$ 1</u>	<u>\$ 59</u>	<u>\$ -</u>
Liabilities:				
Other Liabilities	\$ 58	\$ 1	\$ 59	\$ -
Total Liabilities	<u>\$ 58</u>	<u>\$ 1</u>	<u>\$ 59</u>	<u>\$ -</u>
<b>Virginia School for the Deaf and Blind</b>				
Assets:				
Cash and Cash Equivalents	\$ 36	\$ 9	\$ 12	\$ 33
Total Assets	<u>\$ 36</u>	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 33</u>
Liabilities:				
Other Liabilities	\$ 36	\$ 9	\$ 12	\$ 33
Total Liabilities	<u>\$ 36</u>	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 33</u>
<b>Woodrow Wilson Rehabilitation Center</b>				
Assets:				
Cash and Cash Equivalents	\$ 3	\$ 28	\$ 26	\$ 5
Total Assets	<u>\$ 3</u>	<u>\$ 28</u>	<u>\$ 26</u>	<u>\$ 5</u>
Liabilities:				
Other Liabilities	\$ 3	\$ 28	\$ 26	\$ 5
Total Liabilities	<u>\$ 3</u>	<u>\$ 28</u>	<u>\$ 26</u>	<u>\$ 5</u>

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, 2009  
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
<b>Dog and Cat Sterilization</b>				
Assets:				
Cash and Cash Equivalents	\$ 2	\$ -	\$ 2	\$ -
Total Assets	\$ 2	\$ -	\$ 2	\$ -
Liabilities:				
Amounts Due to Other Governments	\$ 2	\$ -	\$ 2	\$ -
Total Liabilities	\$ 2	\$ -	\$ 2	\$ -
<b>Third Party Administrator</b>				
Assets:				
Cash and Cash Equivalents	\$ 8,470	\$ 6,994	\$ 5,041	\$ 10,423
Short-term Investments	1,747	1,805	1,747	1,805
Accounts Receivable	-	3	-	3
Total Assets	\$ 10,217	\$ 8,802	\$ 6,788	\$ 12,231
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 2	\$ 2	\$ -	\$ 4
Obligations Under Securities Lending Program	2,211	3,310	2,211	3,310
Other Liabilities	7,409	5,492	4,579	8,322
Insurance Premiums and Claims Payable	595	-	-	595
Total Liabilities	\$ 10,217	\$ 8,804	\$ 6,790	\$ 12,231
<b>Department of Environmental Quality</b>				
Assets:				
Cash and Cash Equivalents	\$ 393	\$ -	\$ 97	\$ 296
Total Assets	\$ 393	\$ -	\$ 97	\$ 296
Liabilities:				
Other Liabilities	\$ 393	\$ -	\$ 97	\$ 296
Total Liabilities	\$ 393	\$ -	\$ 97	\$ 296
<b>Virginia Veterans Care Center Resident Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 103	\$ 1,083	\$ 1,048	\$ 138
Total Assets	\$ 103	\$ 1,083	\$ 1,048	\$ 138
Liabilities:				
Other Liabilities	\$ 103	\$ 1,083	\$ 1,048	\$ 138
Total Liabilities	\$ 103	\$ 1,083	\$ 1,048	\$ 138
<b>Virginia Individual Development Account Trust Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 332	\$ 152	\$ 327	\$ 157
Total Assets	\$ 332	\$ 152	\$ 327	\$ 157
Liabilities:				
Other Liabilities	\$ 332	\$ 152	\$ 327	\$ 157
Total Liabilities	\$ 332	\$ 152	\$ 327	\$ 157

	Balance July 1	Additions	Deletions	Balance June 30
Assets:				
Cash and Cash Equivalents	\$ 290,258	\$ 2,791,487	\$ 2,812,641	\$ 269,104
Short-term Investments	86,717	70,703	86,717	70,703
Other Investments	312,623	64,358	42,095	334,886
Accounts Receivable	163,980	149,196	164,297	148,879
Due from Internal Parties (Governmental Funds and Business-type Activities)	-	116	-	116
Total Assets	<u>\$ 853,578</u>	<u>\$ 3,075,860</u>	<u>\$ 3,105,750</u>	<u>\$ 823,688</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 11,766	\$ 258,308	\$ 258,869	\$ 11,205
Amounts Due to Other Governments	342,299	1,958,361	1,999,558	301,102
Due to Internal Parties (Governmental Funds and Business-type Activities)	182	-	24	158
Obligations Under Securities Lending Program	16,519	20,726	16,519	20,726
Other Liabilities	482,217	838,006	830,321	489,902
Insurance Premiums and Claims Payable	595	-	-	595
Total Liabilities	<u>\$ 853,578</u>	<u>\$ 3,075,401</u>	<u>\$ 3,105,291</u>	<u>\$ 823,688</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 School 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 Virginia Commercial Space Flight Authority** disseminates knowledge pertaining to scientific and technological research and development among public and private entities including, but not limited to, knowledge in the area of commercial space flight, and to promote industrial and economic development.

**The Danville Science Center, Inc.** promotes programs, projects and operations to educate students.

**The Virginia Museum of Fine Arts Foundation** implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

**The A. L. Philpott Manufacturing Extension Partnership** promotes industrial expansion by providing consulting services to manufacturers.

**The Virginia Horse Center Foundation** operates for the benefit of the equine industry.

**Virginia University Research Partnership** oversees the administration of grant payments for use by a non-profit, public benefit research institute that conducts research and development for government agencies, commercial businesses, foundations, and other organizations, as well as commercializes technology.

**Fort Monroe Federal Area Development Authority** assists in formulating a reuse plan for Fort Monroe.

**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 Sesquicentennial of the American Civil War Commission** was created to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War.

**The Virginia Land Conservation Foundation** acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

**The Virginia Arts Foundation** works to promote the arts in the Commonwealth.

**The Library of Virginia Foundation** promotes and supports the Library of Virginia.

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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, 2009

(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,694	\$ 2,255	\$ 34,784	\$ 2,214
Investments	-	-	-	2,603
Receivables, Net	-	628	24,008	2,878,263
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	12,236	-
Due from Component Units	-	-	-	-
Inventory	-	-	13,256	-
Prepaid Items	345	23	12,138	-
Other Assets	18	-	3,911	38,015
Restricted Cash and Cash Equivalents	-	1,503	84,507	429,614
Restricted Investments	-	-	30,608	395,283
Other Restricted Assets	-	-	6,855	-
Nondepreciable Capital Assets	-	12,242	242,797	-
Depreciable Capital Assets, Net	716	151	608,088	2
<b>Total Assets</b>	<b>3,773</b>	<b>16,802</b>	<b>1,073,188</b>	<b>3,745,994</b>
<b>Liabilities</b>				
Accounts Payable	219	166	19,739	131
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	186	-	-	-
Unearned Revenue	8	-	-	1,938
Obligations Under Securities Lending Program	-	-	6,577	-
Other Liabilities	-	1	79,149	25,415
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	483	70	25,040	77,482
Due in More Than One Year	2,578	48	496,622	2,417,847
<b>Total Liabilities</b>	<b>3,474</b>	<b>285</b>	<b>627,127</b>	<b>2,522,813</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	716	12,393	319,365	2
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Higher Education	-	-	-	-
Gifts and Grants	-	-	-	-
Virginia Pooled Investment Program	-	-	-	6,990
Capital Projects / Construction / Capital Acquisition	-	-	-	1,210,732
Debt Service	-	-	64,546	-
Other	-	1,503	-	-
Unrestricted	(417)	2,621	62,150	5,457
<b>Total Net Assets (Deficit)</b>	<b>\$ 299</b>	<b>\$ 16,517</b>	<b>\$ 446,061</b>	<b>\$ 1,223,181</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 School for the Deaf and Blind Foundation	Science Museum of Virginia Foundation
\$ 3,060	\$ 13,647	\$ 102,459	\$ 78,997	\$ 1,235	\$ 1,390	\$ 184	\$ 301
-	2,363	501,872	20,413	157	1,494	2,282	-
-	-	49	30,047	46,209	13,071	-	9
-	-	-	-	-	-	-	734
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
853	5	6	-	5	-	-	1
1	5	4,988	1,726	213	-	-	-
-	-	21,657	32,444	-	16,104	-	2,918
-	-	325,089	-	-	-	-	9,656
-	-	5,766	-	-	-	-	-
811	-	-	258,062	5,280	-	-	1,792
737	-	4	396,766	16,318	-	-	23
5,462	16,020	961,890	818,455	69,417	32,059	2,466	15,434
188	85	73	35,864	107	46	-	8
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	252
247	-	-	-	414	-	-	-
-	4,333	2,758	-	-	2,739	-	-
-	618	7,192	5,671	40	2,505	-	-
-	-	-	-	-	-	-	-
233	33	7	17,287	5,860	-	-	9
1,343	307	222	350,932	50,982	78	-	43
2,011	5,376	10,252	409,754	57,403	5,368	-	312
1,548	-	4	319,594	10,185	-	-	1,815
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,645
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	7,359
-	-	-	-	-	-	-	-
-	-	346,746	-	-	-	-	-
-	-	-	7,542	-	-	-	-
-	-	-	-	-	26,691	-	-
1,903	10,644	604,888	81,565	1,829	-	2,466	303
\$ 3,451	\$ 10,644	\$ 951,638	\$ 408,701	\$ 12,014	\$ 26,691	\$ 2,466	\$ 15,122

Continued on next page

**Combining Statement of Net Assets – Nonmajor Component Units** (Continued from previous page)

June 30, 2009

(Dollars in Thousands)

	Virginia Commercial Space Flight Authority	Danville Science Center, Inc.	Virginia Museum of Fine Arts Foundation	A. L. Philpott Manufacturing Extension Partnership
<b>Assets</b>				
Cash and Cash Equivalents	\$ 791	\$ 431	\$ 1,658	\$ 1,514
Investments	-	184	5,300	-
Receivables, Net	440	5	-	325
Contributions Receivable, Net	-	-	23,086	-
Due from Primary Government	-	-	2,599	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	27	32	-	-
Other Assets	-	-	708	-
Restricted Cash and Cash Equivalents	-	-	25,749	-
Restricted Investments	-	623	142,165	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	5,551	-	54	-
Depreciable Capital Assets, Net	1,289	34	1,214	1
<b>Total Assets</b>	<b>8,098</b>	<b>1,309</b>	<b>202,533</b>	<b>1,840</b>
<b>Liabilities</b>				
Accounts Payable	400	-	190	337
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	212	252	-	128
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	-	1,412	-
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	-	1,193	173
Due in More Than One Year	-	-	54,623	-
<b>Total Liabilities</b>	<b>612</b>	<b>252</b>	<b>57,418</b>	<b>638</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	6,840	34	1,089	1
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	242	85,966	-
Expendable:				
Higher Education	-	-	-	-
Gifts and Grants	-	129	6,293	197
Virginia Pooled Investment Program	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	7,958	-
Debt Service	-	-	-	-
Other	-	-	21,704	-
Unrestricted	646	652	22,105	1,004
<b>Total Net Assets (Deficit)</b>	<b>\$ 7,486</b>	<b>\$ 1,057</b>	<b>\$ 145,115</b>	<b>\$ 1,202</b>

Virginia Horse Center Foundation	Virginia University Research Partnership	Fort Monroe Federal Area Development Authority	Assistive Technology Loan Fund Authority	Virginia National Defense Industrial Authority	Virginia Sesquicentennial of the American Civil War Commission	Virginia Land Conservation Foundation	Virginia Arts Foundation
\$ 172	\$ 59	\$ -	\$ 10,596	\$ -	\$ 172	\$ 7,752	\$ 112
-	-	-	-	-	-	-	134
273	-	-	904	-	-	-	-
1,075	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	186	-	-	-
29	-	-	-	-	-	-	-
35	-	-	7	-	-	-	-
9	-	-	-	-	-	-	-
585	-	399	-	-	-	-	663
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,390	-	-	-	-	-	-	-
15,929	-	-	17	-	-	-	-
<u>25,497</u>	<u>59</u>	<u>399</u>	<u>11,524</u>	<u>186</u>	<u>172</u>	<u>7,752</u>	<u>909</u>
565	-	18	16	4	-	7	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
245	-	-	-	-	-	-	-
-	-	-	-	-	-	-	246
236	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
253	-	-	9	14	-	-	-
12,315	-	-	-	99	-	34	-
<u>13,614</u>	<u>-</u>	<u>18</u>	<u>25</u>	<u>117</u>	<u>-</u>	<u>41</u>	<u>246</u>
11,680	-	-	17	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	663
-	-	-	-	-	-	-	-
-	-	381	-	-	-	-	-
-	-	-	-	-	-	-	-
522	-	-	-	-	-	-	-
605	-	-	-	-	-	-	-
819	-	-	-	-	-	-	-
(1,743)	59	-	11,482	69	172	7,711	-
<u>\$ 11,883</u>	<u>\$ 59</u>	<u>\$ 381</u>	<u>\$ 11,499</u>	<u>\$ 69</u>	<u>\$ 172</u>	<u>\$ 7,711</u>	<u>\$ 663</u>

Continued on next page

**Combining Statement of Net Assets – Nonmajor Component Units** (Continued from previous page)

June 30, 2009

(Dollars in Thousands)

	Library of Virginia Foundation	College of William and Mary	Virginia Military Institute	Virginia State University
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,972	\$ 19,916	\$ 26,325	\$ 36,251
Investments	462	27,053	51,758	7,635
Receivables, Net	-	20,893	3,351	6,571
Contributions Receivable, Net	47	26,890	14,432	47
Due from Primary Government	-	1,655	475	802
Due from Component Units	-	4,507	4,855	2,632
Inventory	-	498	4,270	-
Prepaid Items	3	1,839	867	2,389
Other Assets	-	9,856	690	273
Restricted Cash and Cash Equivalents	182	59,581	-	33,852
Restricted Investments	275	397,894	193,486	17,714
Other Restricted Assets	-	91,197	4,795	-
Nondepreciable Capital Assets	-	204,935	16,536	27,146
Depreciable Capital Assets, Net	-	422,676	191,794	107,338
<b>Total Assets</b>	<b>2,941</b>	<b>1,289,390</b>	<b>513,634</b>	<b>242,650</b>
<b>Liabilities</b>				
Accounts Payable	45	40,728	9,540	7,634
Amounts Due to Other Governments	-	-	1,308	-
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	-	12,666	1,277	3,046
Obligations Under Securities Lending Program	-	678	3,039	9,328
Other Liabilities	-	9,434	1,707	7,583
Loans Payable to Primary Government	-	768	-	-
Long-term Liabilities:				
Due Within One Year	-	15,705	2,211	4,928
Due in More Than One Year	50	260,210	68,987	97,399
<b>Total Liabilities</b>	<b>95</b>	<b>340,189</b>	<b>88,069</b>	<b>129,918</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	415,876	194,290	76,486
Restricted For:				
Nonexpendable:				
Higher Education	-	346,825	100,976	10,841
Other	275	-	-	-
Expendable:				
Higher Education	-	178,145	84,734	13,301
Gifts and Grants	182	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	-	-
Unrestricted	2,389	8,355	45,565	12,104
<b>Total Net Assets (Deficit)</b>	<b>\$ 2,846</b>	<b>\$ 949,201</b>	<b>\$ 425,565</b>	<b>\$ 112,732</b>

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
\$ 20,421	\$ 13,044	\$ 104,244	\$ 70,086	\$ 64,378	\$ 79,085	\$ 145,077	\$ 16,028
5,430	202	16,235	10,133	17,256	17,719	13,758	2,323
5,446	2,681	8,421	6,900	29,814	36,757	19,925	828
2,060	5,668	8,321	1,902	7,135	16,843	8,083	10,284
699	617	7,577	1,138	2,260	4,582	9,055	1,205
2,734	1,613	3,931	725	3,762	5,842	18,715	4,521
-	582	747	588	494	620	2,047	1,250
318	777	7,070	2,126	10,621	3,728	15,654	2,012
1,947	2,384	21	120	1,193	7,523	216	1,097
11,235	90,272	17,266	522	32,649	174,224	37,679	11,542
14,154	29,902	56,761	34,334	135,939	91,586	91,164	10,526
-	-	-	111	-	8,689	-	624
34,274	47,322	188,791	25,112	125,498	319,941	207,151	54,310
140,595	152,516	410,465	140,587	501,327	619,117	643,274	278,379
239,313	347,580	829,850	294,384	932,326	1,386,256	1,211,798	394,929
10,092	7,534	42,193	16,659	39,010	98,384	59,321	9,394
-	540	-	-	-	-	4,862	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,721	1,553	11,366	4,318	14,565	34,664	35,526	1,401
5,759	370	28,192	18,579	9,034	25,007	17,423	3,867
4,524	1,865	6,290	3,789	6,500	9,639	5,020	7,269
-	-	-	-	-	12,579	1,108	-
4,604	8,494	11,635	2,790	21,136	23,866	18,741	8,542
88,521	160,563	163,453	15,166	410,142	676,881	158,428	181,641
118,221	180,919	263,129	61,301	500,387	881,020	300,429	212,114
100,957	137,602	468,231	163,934	236,811	409,273	809,192	162,847
7,170	27,033	40,595	21,349	114,016	59,048	55,331	12,630
-	-	-	-	-	-	-	-
15,131	9,037	28,747	14,503	67,571	56,954	56,049	9,006
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(2,166)	(7,011)	29,148	33,297	13,541	(20,039)	(9,203)	(1,668)
\$ 121,092	\$ 166,661	\$ 566,721	\$ 233,083	\$ 431,939	\$ 505,236	\$ 911,369	\$ 182,815

Continued on next page

**Combining Statement of Net Assets – Nonmajor Component Units** (Continued from previous page)

June 30, 2009

(Dollars in Thousands)

	Longwood University	Southwest Virginia Higher Education Center	Roanoke Higher Education Authority	Innovative Technology Authority
<b>Assets</b>				
Cash and Cash Equivalents	\$ 38,222	\$ -	\$ 1,644	\$ 4,852
Investments	13,510	-	70	-
Receivables, Net	2,868	1,839	4,522	286
Contributions Receivable, Net	4,620	-	-	-
Due from Primary Government	430	310	-	-
Due from Component Units	1,138	65	63	-
Inventory	657	-	-	-
Prepaid Items	1,230	29	-	69
Other Assets	1,622	-	-	380
Restricted Cash and Cash Equivalents	20,639	-	-	-
Restricted Investments	25,852	-	-	-
Other Restricted Assets	2,109	-	-	-
Nondepreciable Capital Assets	42,821	2,733	560	7,945
Depreciable Capital Assets, Net	185,763	9,463	18,392	15,043
<b>Total Assets</b>	<b>341,481</b>	<b>14,439</b>	<b>25,251</b>	<b>28,575</b>
<b>Liabilities</b>				
Accounts Payable	9,563	586	30	268
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	1,247	-	171	38
Obligations Under Securities Lending Program	11,943	-	-	-
Other Liabilities	8,496	14	-	924
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	4,866	136	90	1,063
Due in More Than One Year	129,646	1,095	8	4,488
<b>Total Liabilities</b>	<b>165,761</b>	<b>1,831</b>	<b>299</b>	<b>6,781</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	125,703	11,401	18,952	17,606
Restricted For:				
Nonexpendable:				
Higher Education	26,264	-	-	-
Other	-	-	-	-
Expendable:				
Higher Education	11,148	-	-	700
Gifts and Grants	-	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	-	-
Unrestricted	12,605	1,207	6,000	3,488
<b>Total Net Assets (Deficit)</b>	<b>\$ 175,720</b>	<b>\$ 12,608</b>	<b>\$ 24,952</b>	<b>\$ 21,794</b>

Institute for Advanced Learning and Research	Southern Virginia Higher Education Center	Virginia College Building Authority	New College Institute	Total Nonmajor Component Units
\$ 1,395	\$ 118	\$ 137	\$ 761	\$ 910,433
-	-	-	202	720,548
1,556	202	20,632	-	3,167,723
-	-	-	51	131,278
-	-	-	-	45,640
221	-	533	-	56,043
-	58	-	-	25,096
59	-	-	2	62,270
-	-	-	55	76,971
553	193	164,988	-	1,271,520
-	-	-	131	2,003,142
-	-	-	-	120,146
149	-	-	-	1,839,203
3,385	692	-	404	4,882,499
7,318	1,263	186,290	1,606	15,312,512
1,380	105	22	6	410,657
-	-	-	-	6,710
-	-	-	-	252
-	-	88,140	-	88,326
55	-	-	-	130,058
-	-	-	-	149,872
17	-	36,871	-	232,181
-	-	7,907	-	22,362
173	49	96,746	20	353,941
62	333	1,106,955	163	6,912,264
1,687	487	1,336,641	189	8,306,623
3,442	692	-	404	4,038,982
-	-	-	131	822,209
-	-	-	-	92,791
553	193	69,456	869	616,097
-	-	-	-	14,541
-	-	-	-	6,990
-	-	-	-	1,565,958
-	-	-	-	72,693
-	-	-	-	50,717
1,636	(109)	(1,219,807)	13	(275,089)
\$ 5,631	\$ 776	\$ (1,150,351)	\$ 1,417	\$ 7,005,889

## Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
<b>Higher Education</b>					
College of William and Mary	\$ 373,202	\$ 181,179	\$ (1,178)	\$ 30,236	\$ (162,965)
Virginia Military Institute	77,337	28,944	(47,446)	21,988	(73,851)
Virginia State University	143,249	49,419	27,752	-	(66,078)
Norfolk State University	145,734	53,524	35,415	967	(55,828)
University of Mary Washington	98,402	60,136	(1,105)	-	(39,371)
James Madison University	367,350	249,875	31,066	47,374	(39,035)
Radford University	155,899	82,186	7,537	4,834	(61,342)
Old Dominion University	383,923	175,834	52,613	20,197	(135,279)
George Mason University	602,365	301,253	124,136	44,608	(132,368)
Virginia Community College System	945,194	270,547	202,902	88,880	(382,865)
Christopher Newport University	114,010	70,979	7,727	5,800	(29,504)
Longwood University	126,233	65,139	9,435	-	(51,659)
Southwest Virginia Higher Education Center	6,763	881	4,060	2,116	294
Roanoke Higher Education Authority	3,097	1,232	75	1,500	(290)
Innovative Technology Authority	9,493	2,362	888	-	(6,243)
Institute for Advanced Learning and Research	12,786	534	6,880	150	(5,222)
Southern Virginia Higher Education Center	3,100	586	465	-	(2,049)
Virginia College Building Authority	501,967	53,637	-	-	(448,330)
New College Institute	2,903	-	1,867	-	(1,036)
Total Higher Education	<u>4,073,007</u>	<u>1,648,247</u>	<u>463,089</u>	<u>268,650</u>	<u>(1,693,021)</u>
<b>Other Nonmajor Component Units</b>					
Virginia Economic Development Partnership	16,220	580	-	-	(15,640)
Virginia Outdoors Foundation	3,399	732	1,801	-	(866)
Virginia Port Authority	277,592	208,617	91	16,707	(52,177)
Virginia Resources Authority	105,594	116,344	-	44,493	55,243
Virginia Tourism Authority	15,738	696	1,445	-	(13,597)
Virginia Tobacco Settlement Foundation	12,771	-	-	-	(12,771)
<b>Tobacco Idemnification and Community</b>					
Revitalization Commission	80,274	-	500	-	(79,774)
Hampton Roads Sanitation District Commission	159,380	164,816	-	16,678	22,114
Virginia Biotechnology Research Partnership Authority	6,543	6,336	-	-	(207)
Virginia Small Business Financing Authority	740	967	-	-	227
Virginia Schools for the Deaf and Blind Foundation	77	-	-	-	(77)
Science Museum of Virginia Foundation	2,335	-	227	-	(2,108)
Virginia Commercial Space Flight Authority	1,417	368	686	5,661	5,298
Danville Science Center, Inc.	317	-	173	-	(144)
Virginia Museum of Fine Arts Foundation	35,425	-	(31,787)	-	(67,212)
A. L. Philpott Manufacturing Extension Partnership	4,932	2,413	1,510	-	(1,009)
Virginia Horse Center Foundation	5,174	2,984	1,114	159	(917)
Virginia University Research Partnership	6,008	-	-	-	(6,008)
Fort Monroe Federal Area Development Authority	2,039	-	1,571	-	(468)
Assistive Technology Loan Fund Authority	505	-	-	-	(505)
Virginia National Defense Industrial Authority	454	-	-	-	(454)
Virginia Sesquicentennial of the American Civil War Commission	27	-	199	-	172
Virginia Land Conservation Foundation	2,110	-	145	-	(1,965)
Virginia Arts Foundation	3	29	20	-	46
Library of Virginia Foundation	854	-	-	-	(854)
Total Other Nonmajor	<u>739,928</u>	<u>504,882</u>	<u>(22,305)</u>	<u>83,698</u>	<u>(173,653)</u>
Total Nonmajor Component Units	<u>\$ 4,812,935</u>	<u>\$ 2,153,129</u>	<u>\$ 440,784</u>	<u>\$ 352,348</u>	<u>\$ (1,866,674)</u>

General Revenues					
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Tobacco Master Settlement	Contributions to Permanent / Term Endowments
\$ 75,330	\$ 14,672	\$ (7,741)	\$ 4,526	\$ -	\$ 6,595
13,787	94	(30,944)	279	-	13,817
40,624	407	(2,998)	584	-	807
51,114	272	(1,623)	905	-	674
24,261	1,162	124	873	-	2,073
85,596	742	(7,382)	2,001	-	1,444
55,393	204	1,107	2,261	-	898
126,163	148	(35,826)	247	-	2,274
142,650	277	272	658	-	2,604
410,937	5,586	(2,018)	10,916	-	8,279
32,033	1,272	(3,460)	54	-	747
31,496	520	(6,994)	435	-	1,167
1,937	-	-	4	-	-
1,187	-	99	-	-	-
6,637	-	86	-	-	-
5,610	-	25	1	-	-
1,756	464	-	-	-	-
113,800	-	5,038	-	-	-
1,326	171	(6)	-	-	15
1,221,637	25,991	(92,241)	23,744	-	41,394
15,613	-	69	29	-	-
2,050	200	71	-	-	-
32,508	-	2,724	255	-	-
-	-	-	-	-	-
13,618	-	76	-	-	-
-	-	228	-	13,974	-
-	-	42,111	291	-	-
-	-	4,160	-	-	-
-	-	3	-	-	-
-	-	302	-	-	-
-	3	(945)	-	-	-
-	1,049	(512)	-	-	1
92	-	-	-	-	-
-	54	(99)	-	-	-
-	4,012	(1,325)	-	-	5,217
483	-	-	-	-	-
-	142	10	3	-	113
-	-	67	-	-	-
829	-	-	-	-	-
-	3	261	-	-	-
446	-	-	-	-	-
-	-	-	-	-	-
2,000	-	-	-	-	-
-	-	-	39	-	-
-	195	(1,246)	-	-	437
67,639	5,658	45,955	617	13,974	5,768
\$ 1,289,276	\$ 31,649	\$ (46,286)	\$ 24,361	\$ 13,974	\$ 47,162

Continued on next page

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

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

	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	\$ (69,583)	\$ 1,018,784	\$ 949,201
Virginia Military Institute	(76,818)	502,383	425,565
Virginia State University	(26,654)	139,386	112,732
Norfolk State University	(4,486)	125,578	121,092
University of Mary Washington	(10,878)	177,539	166,661
James Madison University	43,366	523,355	566,721
Radford University	(1,479)	234,562	233,083
Old Dominion University	(42,273)	474,212	431,939
George Mason University	14,093	491,143	505,236
Virginia Community College System	50,835	860,534	911,369
Christopher Newport University	1,142	181,673	182,815
Longwood University	(25,035)	200,755	175,720
Southwest Virginia Higher Education Center	2,235	10,373	12,608
Roanoke Higher Education Authority	996	23,956	24,952
Innovative Technology Authority	480	21,314	21,794
Institute for Advanced Learning and Research	414	5,217	5,631
Southern Virginia Higher Education Center	171	605	776
Virginia College Building Authority	(329,492)	(820,859)	(1,150,351)
New College Institute	470	947	1,417
Total Higher Education	<u>(472,496)</u>	<u>4,171,457</u>	<u>3,698,961</u>
<b>Other Nonmajor Component Units</b>			
Virginia Economic Development Partnership	71	228	299
Virginia Outdoors Foundation	1,455	15,062	16,517
Virginia Port Authority	(16,690)	462,751	446,061
Virginia Resources Authority	55,243	1,167,938	1,223,181
Virginia Tourism Authority	97	3,354	3,451
Virginia Tobacco Settlement Foundation	1,431	9,213	10,644
Tobacco Idemnification and Community Revitalization Commission	(37,372)	989,010	951,638
Hampton Roads Sanitation District Commission	26,274	382,427	408,701
Virginia Biotechnology Research Partnership Authority	(204)	12,218	12,014
Virginia Small Business Financing Authority	529	26,162	26,691
Virginia School for the Deaf and Blind Foundation	(1,019)	3,485	2,466
Science Museum of Virginia Foundation	(1,570)	16,692	15,122
Virginia Commercial Space Flight Authority	5,390	2,096	7,486
Danville Science Center Foundation	(189)	1,246	1,057
Virginia Museum of Fine Arts Foundation	(59,308)	204,423	145,115
A. L. Philpott Manufacturing Extension Partnership	(526)	1,728	1,202
Virginia Horse Center Foundation	(649)	12,532	11,883
Virginia University Research Partnership	(5,941)	6,000	59
Fort Monroe Federal Area Development Authority	361	20	381
Assistive Technology Loan Fund Authority	(241)	11,740	11,499
Virginia National Defense Industrial Authority	(8)	77	69
Virginia Sesquicentennial of the American Civil War Commission	172	-	172
Virginia Land Conversation Foundation	35	7,676	7,711
Virginia Arts Foundation	85	578	663
Library of Virginia Foundation	(1,468)	4,314	2,846
Total Other Nonmajor	<u>(34,042)</u>	<u>3,340,970</u>	<u>3,306,928</u>
Total Nonmajor Component Units	<u>\$ (506,538)</u>	<u>\$ 7,512,427</u>	<u>\$ 7,005,889</u>

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# Debt Schedules

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**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,				
	2009	2008	2007	2006	2005
<b>Tax-Supported Debt:</b>					
<b>Primary Government:</b>					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	\$ 1,040,636	\$ 935,105	\$ 821,563	\$ 626,124	\$ 555,447
Section 9(c) Bonds (2)	36,884	66,884	78,766	90,374	101,585
Subtotal - General Obligation Bonds	1,077,520	1,001,989	900,329	716,498	657,032
Nongeneral Obligation Debt:					
Section 9(d) Bonds (2)	3,001,263	2,667,962	2,562,737	2,313,423	2,183,467
Other Long-term Debt and Obligations (3)	1,841,561	1,614,506	1,487,825	1,399,553	1,185,757
Total Primary Government	5,920,344	5,284,457	4,950,891	4,429,474	4,026,256
<b>Component Units:</b>					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	573,550	487,296	411,842	325,969	296,963
Subtotal - General Obligation Bonds	573,550	487,296	411,842	325,969	296,963
Nongeneral Obligation Bonds:					
Section 9(d) Bonds (2)	1,455,411	1,172,290	1,122,133	953,560	970,208
Other Long-term Debt (3)	1,050,487	906,560	787,640	656,186	557,838
Total Component Units	3,079,448	2,566,146	2,321,615	1,935,715	1,825,009
<b>Total Tax-Supported Debt</b>	<b>8,999,792</b>	<b>7,850,603</b>	<b>7,272,506</b>	<b>6,365,189</b>	<b>5,851,265</b>
<b>Debt Not Supported by Taxes:</b>					
<b>Primary Government:</b>					
Total Primary Government (2)	2,787,825	2,934,728	2,872,390	2,911,350	3,046,216
<b>Component Units:</b>					
Section 9(d) Moral Obligation Bonds	726,416	1,073,577	1,127,950	1,202,791	1,318,889
Section 9(d) Other Debt	1,356,659	1,147,172	815,247	840,779	546,062
Other Long-term Debt (4)	14,288,566	12,838,045	11,180,297	9,529,110	8,861,783
Foundations (5)	1,294,063	1,102,712	1,076,230	738,850	644,529
Total Component Units	17,665,704	16,161,506	14,199,724	12,311,530	11,371,263
<b>Total Debt Not Supported by Taxes</b>	<b>20,453,529</b>	<b>19,096,234</b>	<b>17,072,114</b>	<b>15,222,880</b>	<b>14,417,479</b>
<b>Total Debt of the Commonwealth</b>	<b>\$ 29,453,321</b>	<b>\$ 26,946,837</b>	<b>\$ 24,344,620</b>	<b>\$ 21,588,069</b>	<b>\$ 20,268,744</b>

	2009	2008	2007	2006	2005
Section 9(b) Debt:					
Transportation Facilities Bonds	\$ 12,695	\$ 18,622	\$ 24,263	\$ 29,660	\$ 34,792
Public Facilities Bonds	1,027,941	916,483	797,300	596,464	520,655
Subtotal 9(b) Debt	1,040,636	935,105	821,563	626,124	555,447
Section 9(c) Debt:					
Higher Educational Institution Bonds	573,550	487,296	411,842	325,969	296,963
Transportation Facilities Bonds	30,358	59,294	69,962	80,435	90,545
Parking Facilities Bonds	6,526	7,590	8,804	9,939	11,040
Subtotal 9(c) Debt	610,434	554,180	490,608	416,343	398,548
Total General Obligation Debt (1)	\$ 1,651,070	\$ 1,489,285	\$ 1,312,171	\$ 1,042,467	\$ 953,995

- (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,				
	2009	2008	2007	2006	2005
<b>Primary Government:</b>					
<b>General Obligation Debt (1) (4):</b>					
Section 9(b) Debt					
Transportation Facilities (2)	\$ 12,695	\$ 18,622	\$ 24,263	\$ 29,660	\$ 34,792
Public Facilities (2)	1,027,941	916,483	797,300	596,464	520,655
Subtotal Section 9(b) Debt	1,040,636	935,105	821,563	626,124	555,447
Section 9(c) Debt					
Parking Facilities (2)	6,526	7,590	8,804	9,939	11,040
Transportation Facilities (2)	30,358	59,294	69,962	80,435	90,545
Subtotal Section 9(c) Debt	36,884	66,884	78,766	90,374	101,585
Subtotal General Obligation Debt	1,077,520	1,001,989	900,329	716,498	657,032
<b>Nongeneral Obligation Debt:</b>					
Section 9(d) Debt:					
Transportation Debt (2)	908,601	948,507	987,550	1,021,172	1,041,397
Virginia Public Building Authority (2)	2,092,662	1,719,455	1,575,187	1,292,251	1,142,070
Subtotal Section 9(d) Debt	3,001,263	2,667,962	2,562,737	2,313,423	2,183,467
<b>Other Long-term Debt:</b>					
Transportation Notes Payable (3)	8,000	12,325	12,325	12,325	12,325
Regional Jail Construction	8,231	9,980	11,693	13,375	15,030
Capital Lease Obligations	102,913	113,477	125,033	126,615	133,799
Installment Purchase Obligations	61,966	54,761	59,574	50,485	24,047
Virginia Public Broadcasting Board Notes Payable (3)	5,830	8,520	11,070	13,485	15,775
Industrial Development Authority Obligations	10,025	14,640	19,010	23,160	27,100
Economic Development Authority Obligations	93,442	96,992	100,387	100,592	-
Tax Refund Note (3)	81,278	-	-	-	-
Aviation Notes Payable (3)	1,909	2,195	2,482	2,768	3,055
Subtotal Other Long-term Debt	373,594	312,890	341,574	342,805	231,131
<b>Other Long-term Obligations:</b>					
Compensated Absences	336,072	345,361	340,008	328,799	313,896
Pension Liability	989,517	878,579	789,771	709,835	621,969
OPEB Liability	117,604	57,473	-	-	-
Pollution Remediation Liability	2,472	-	-	-	-
Other Liabilities	22,302	20,203	16,472	18,114	18,761
Subtotal Other Long-term Obligations	1,467,967	1,301,616	1,146,251	1,056,748	954,626
<b>Total Primary Government</b>	<b>5,920,344</b>	<b>5,284,457</b>	<b>4,950,891</b>	<b>4,429,474</b>	<b>4,026,256</b>
<b>Component Units:</b>					
<b>General Obligation Bonds (1) (4):</b>					
Section 9(c) Debt					
Higher Educational Institutions (2)	573,550	487,296	411,842	325,969	296,963
Subtotal General Obligation Debt	573,550	487,296	411,842	325,969	296,963
<b>Nongeneral Obligation Debt:</b>					
Section 9(d) Debt:					
Virginia Port Authority (2)	200,886	218,596	236,300	251,219	265,518
Innovative Technology Authority	5,415	6,270	7,145	7,935	8,635
Virginia College Building Authority	1,203,701	899,572	828,488	641,954	641,450
Virginia Biotechnology Research Partnership Authority	45,409	47,852	50,200	52,452	54,605
Subtotal Section 9(d) Debt	1,455,411	1,172,290	1,122,133	953,560	970,208
<b>Other Long-term Debt:</b>					
Capital Lease Obligations	113,687	136,773	124,738	59,532	46,272
Installment Purchase Obligations (3)	156,236	118,811	126,755	137,788	85,614
Subtotal Other Long-term Debt	269,923	255,584	251,493	197,320	131,886
<b>Other Long-term Obligations:</b>					
Compensated Absences	237,832	229,910	220,887	199,127	187,489
Pension Liability	420,996	358,881	315,260	259,739	238,463
OPEB Liability	121,736	62,185	-	-	-
Subtotal Other Long-term Obligations	780,564	650,976	536,147	458,866	425,952
<b>Total Component Units</b>	<b>3,079,448</b>	<b>2,566,146</b>	<b>2,321,615</b>	<b>1,935,715</b>	<b>1,825,009</b>
<b>Total Tax-Supported Debt</b>	<b>\$ 8,999,792</b>	<b>\$ 7,850,603</b>	<b>\$ 7,272,506</b>	<b>\$ 6,365,189</b>	<b>\$ 5,851,265</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 24, 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,				
	2009	2008	2007	2006	2005
<b>Primary Government:</b>					
<b>Other Long-term Debt &amp; Obligations:</b>					
Federal Reimbursement Anticipation Notes Payable (1)	\$ 548,695	\$ 677,297	\$ 800,538	\$ 918,494	\$ 746,877
Pocahontas Parkway Association Bonds	-	-	-	-	463,357
Pension Liability	21,368	18,887	16,966	14,474	12,990
OPEB Liability	2,973	1,551	-	-	-
Capital Lease Obligations	1,919	2,347	-	-	-
Compensated Absences	8,955	8,761	8,682	8,262	7,859
Installment Purchase Obligations	964	1,735	2,610	5,967	9,709
Tuition Benefits Payable	1,909,786	1,891,424	1,730,482	1,617,517	1,430,383
Lottery Prizes Payable	293,165	332,726	313,112	346,636	375,041
<b>Total Primary Government</b>	<b>2,787,825</b>	<b>2,934,728</b>	<b>2,872,390</b>	<b>2,911,350</b>	<b>3,046,216</b>
<b>Component Units:</b>					
<b>Section 9(d) Moral Obligation Debt: (1)</b>					
Virginia Housing Development Authority	-	391,691	449,350	498,314	623,790
Virginia Resources Authority	726,416	681,886	678,600	704,477	695,099
<b>Subtotal Section 9(d) Moral Obligation Debt</b>	<b>726,416</b>	<b>1,073,577</b>	<b>1,127,950</b>	<b>1,202,791</b>	<b>1,318,889</b>
<b>Section 9(d) Other Debt:</b>					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	1,077,484	846,677	624,609	646,914	445,392
Teaching Hospitals Revenue Bonds (4)	279,175	300,495	190,638	193,865	100,670
<b>Subtotal Section 9(d) Other Debt</b>	<b>1,356,659</b>	<b>1,147,172</b>	<b>815,247</b>	<b>840,779</b>	<b>546,062</b>
<b>Other Long-term Debt:</b>					
Virginia Housing Development Authority (1) (2)	6,754,384	6,487,296	5,548,833	4,656,701	4,003,396
Hampton Roads Sanitation District	360,136	359,904	143,658	144,450	138,509
Virginia Equine Center	-	-	-	15,320	15,540
Virginia Biotechnology Research Partnership Authority	1,565	10,015	10,975	11,880	12,730
Virginia Public School Authority (1) (2)	3,258,258	3,030,087	2,860,310	2,689,512	2,449,447
Virginia Port Authority	223,541	292,982	230,817	141,118	142,650
Virginia Resources Authority	1,740,010	1,101,055	1,017,988	677,382	591,196
Notes Payable	1,649,031	1,293,035	1,034,475	908,394	1,139,395
Bond Anticipation Notes	-	-	40,000	-	-
Other Long-term Debt	301,641	263,671	293,241	284,353	368,920
Foundations (5)	1,294,063	1,102,712	1,076,230	738,850	644,529
<b>Subtotal Other Long-term Debt</b>	<b>15,582,629</b>	<b>13,940,757</b>	<b>12,256,527</b>	<b>10,267,960</b>	<b>9,506,312</b>
<b>Subtotal Section 9(d) and Other Debt</b>	<b>16,939,288</b>	<b>15,087,929</b>	<b>13,071,774</b>	<b>11,108,739</b>	<b>10,052,374</b>
<b>Total Component Units</b>	<b>17,665,704</b>	<b>16,161,506</b>	<b>14,199,724</b>	<b>12,311,530</b>	<b>11,371,263</b>
<b>Total Debt Not Supported by Taxes (3)</b>	<b>\$ 20,453,529</b>	<b>\$ 19,096,234</b>	<b>\$ 17,072,114</b>	<b>\$ 15,222,880</b>	<b>\$ 14,417,479</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, 2009

(Dollars in Thousands)

	As of June 30, 2008	New Debt Authorized	Debt Issued	Other Adjust- ments	As of June 30, 2009
<b>Section 9(b) Debt (Primary Government):</b>					
Higher Educational Institution Bonds	\$ 205,676	\$ -	\$ 155,000	\$ (19,872)	\$ 30,804
Park and Recreational Facilities	34,152	-	25,000	13,618	22,770
Subtotal Section 9(b) Debt	<u>239,828</u>	<u>-</u>	<u>180,000</u>	<u>(6,254)</u>	<u>53,574</u>
<b>Section 9(c) Debt (Primary Government):</b>					
Higher Educational Institution Bonds	629,719	40,000	118,715	(4,257)	546,747
Parking Facilities Bonds	-	16,000	-	-	16,000
Subtotal Section 9(c) Debt	<u>629,719</u>	<u>56,000</u>	<u>118,715</u>	<u>(4,257)</u>	<u>562,747</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	3,180,000	-	-	-	3,180,000
Economic Development Authority Obligations	34,238	-	-	(34,238)	-
<b>Component Units:</b>					
Virginia Public Building Authority					
(Projects)					
	1,134,220	340,132	410,860	(177,453)	886,039
Virginia Public Building Authority					
(Jails)					
	152,235	32,972	55,135	147,677	277,749
Virginia College Building Authority					
(21st Century)					
	1,486,618	378,206	368,700	(15,118)	1,481,006
Virginia College Building Authority					
(Equipment Program)					
	116,799	-	-	-	116,799
Virginia Port Authority	155,000	-	-	-	155,000
Subtotal Section 9(d) Debt	<u>6,356,210</u>	<u>751,310</u>	<u>834,695</u>	<u>(79,132)</u>	<u>6,193,693</u>
<b>Total Authorized and Unissued</b>					
<b>Tax-Supported Debt</b>	<u>\$ 7,225,757</u>	<u>\$ 807,310</u>	<u>\$ 1,133,410</u>	<u>\$ (89,643)</u>	<u>\$ 6,810,014</u>

**Tax-Supported Debt – Annual Debt Service Requirements [1]**

For the Fiscal Year Ended June 30, 2009

(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
	2010	\$ 125,435	\$ 74,648	\$ 200,083	\$ 321,921	\$ 189,292
2011	123,742	69,375	193,117	334,111	184,656	518,767
2012	113,520	63,540	177,060	320,086	170,227	490,313
2013	114,110	58,028	172,138	316,989	155,792	472,781
2014	104,375	52,579	156,954	287,239	142,176	429,415
2015	100,655	47,507	148,162	295,893	128,224	424,117
2016	92,740	42,569	135,309	290,788	114,141	404,929
2017	83,935	38,114	122,049	279,600	100,652	380,252
2018	77,370	34,023	111,393	262,775	87,631	350,406
2019	76,065	30,543	106,608	227,406	75,449	302,855
2020	75,230	27,100	102,330	206,673	64,898	271,571
2021	76,855	23,638	100,493	198,281	55,600	253,881
2022	71,665	20,066	91,731	184,130	46,538	230,668
2023	71,335	16,657	87,992	177,205	38,382	215,587
2024	69,940	13,415	83,355	173,466	30,803	204,269
2025	60,625	10,193	70,818	153,944	23,311	177,255
2026	54,045	7,431	61,476	144,259	17,153	161,412
2027	44,345	4,960	49,305	106,571	11,348	117,919
2028	27,710	2,889	30,599	84,093	6,652	90,745
2029	11,305	1,604	12,909	55,334	1,674	57,008
2030	7,630	1,094	8,724	22,145	394	22,539
2031	6,135	749	6,884	5,897	204	6,101
2032	3,660	469	4,129	1,725	-	1,725
2033	2,595	293	2,888	-	-	-
2034	815	166	981	-	-	-
2035	855	128	983	-	-	-
2036	895	87	982	-	-	-
2037	935	44	979	-	-	-
<b>Subtotal</b>	<b>1,598,522</b>	<b>641,909</b>	<b>2,240,431</b>	<b>4,450,531</b>	<b>1,645,197</b>	<b>6,095,728</b>
<b>Add</b>						
Accretion on						
Capital Appreciation						
Bonds	-	-	-	14,526	-	14,526
<b>Add</b>						
Unamortized						
Premium	68,497	-	68,497	228,762	-	228,762
<b>Less</b>						
Unamortized						
Discount	-	-	-	(583)	-	(583)
<b>Less</b>						
Deferral on						
Debt Defeasance	(15,949)	-	(15,949)	(36,078)	-	(36,078)
<b>Total</b>	<b>\$ 1,651,070</b>	<b>\$ 641,909</b>	<b>\$ 2,292,979</b>	<b>\$ 4,657,158</b>	<b>\$ 1,645,197</b>	<b>\$ 6,302,355</b>

[1] Includes Virginia Biotechnology Research Partnership Authority, Innovative Technology Authority, Newport News Industrial Development Authority, Virginia Public Broadcasting Board, Fairfax County Economic Development Authority, Virginia Aviation Board, Tax Refund Note, 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, pollution remediation liability, and uninsured employers' fund.

[2] Includes principal amount of \$3,009,262 (dollars in thousands) which includes transportation notes payable of \$8,000 (dollars in thousands) for the primary government.

Total		
Principal	Interest	Total
\$ 447,356	\$ 263,940	\$ 711,296
457,853	254,031	711,884
433,606	233,767	667,373
431,099	213,820	644,919
391,614	194,755	586,369
396,548	175,731	572,279
383,528	156,710	540,238
363,535	138,766	502,301
340,145	121,654	461,799
303,471	105,992	409,463
281,903	91,998	373,901
275,136	79,238	354,374
255,795	66,604	322,399
248,540	55,039	303,579
243,406	44,218	287,624
214,569	33,504	248,073
198,304	24,584	222,888
150,916	16,308	167,224
111,803	9,541	121,344
66,639	3,278	69,917
29,775	1,488	31,263
12,032	953	12,985
5,385	469	5,854
2,595	293	2,888
815	166	981
855	128	983
895	87	982
935	44	979
<b>6,049,053</b>	<b>2,287,106</b>	<b>8,336,159</b>
14,526	-	14,526
297,259	-	297,259
(583)	-	(583)
(52,027)	-	(52,027)
<b>\$ 6,308,228</b>	<b>\$ 2,287,106</b>	<b>\$ 8,595,334</b>

## Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(b) Debt (Primary Government):</b>					
<b>Transportation Facilities Bonds</b>					
Series 2003 Refunding	\$ 40,370	\$ 17,140	\$ (5,415)	\$ 11,725	06/01/10-11
Deferral on Debt Defeasance	-	(355)	118	(237)	
Unamortized Premium	-	1,837	(630)	1,207	
<b>Total Transportation Facilities Bonds</b>	<b>40,370</b>	<b>18,622</b>	<b>(5,927)</b>	<b>12,695</b>	
<b>Public Facilities Bonds</b>					
Series 1998 Refunding	59,235	25,480	(25,480)	-	
Series 1999	20,125	1,060	(1,060)	-	
Series 2002 Refunding	114,865	49,975	(7,595)	42,380	06/01/10-16
Series 2003	50,400	37,825	(2,515)	35,310	06/01/10-23
Series 2004	243,680	207,835	(16,330)	191,505	06/01/10-24
Series 2005	118,110	100,345	(6,005)	94,340	06/01/10-25
Series 2006 Refunding	61,535	56,000	(8,500)	47,500	06/01/10-15
Series 2006	117,910	106,500	(5,920)	100,580	06/01/10-26
Series 2007	200,465	194,215	(10,030)	184,185	06/01/10-27
Series 2008	198,165	98,165	90,310	188,475	06/01/10-28
Series 2008 Refunding	25,458	-	19,802	19,802	06/01/10-13
Series 2009	80,000	-	80,000	80,000	06/01/10-29
Deferral on Debt Defeasance	-	(7,830)	374	(7,456)	
Unamortized Premium	-	46,913	4,407	51,320	
<b>Total Public Facilities Bonds</b>	<b>1,289,948</b>	<b>916,483</b>	<b>111,458</b>	<b>1,027,941</b>	
<b>Total Section 9(b) Debt</b>	<b>1,330,318</b>	<b>935,105</b>	<b>105,531</b>	<b>1,040,636</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	185	(185)	-	
<b>Subtotal Series 1979 Bonds</b>	<b>3,695</b>	<b>185</b>	<b>(185)</b>	<b>-</b>	
<b>Series 1981 Bonds</b>					
Virginia Commonwealth University					
Low-Rise Dormitory	4,932	717	(230)	487	06/01/10-11
<b>Subtotal Series 1981 Bonds</b>	<b>4,932</b>	<b>717</b>	<b>(230)</b>	<b>487</b>	
<b>Series 1983 Bonds</b>					
Old Dominion University					
Mid-Rise Dormitory	3,500	820	(155)	665	06/01/10-13
Powhatan Field Apartments, Phase II	3,636	865	(160)	705	06/01/10-13
Virginia Commonwealth University					
Low-Rise Dormitory	4,050	950	(180)	770	06/01/10-13
<b>Subtotal Series 1983 Bonds</b>	<b>11,186</b>	<b>2,635</b>	<b>(495)</b>	<b>2,140</b>	
<b>Series 1989 Bonds</b>					
George Mason University					
Humanities III	9,400	817	(817)	-	
Residence Hall III	10,697	929	(929)	-	
University of Virginia					
Student Health Center	1,300	113	(113)	-	
<b>Subtotal Series 1989 Bonds</b>	<b>21,397</b>	<b>1,859</b>	<b>(1,859)</b>	<b>-</b>	

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	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	1,215	(580)	635	06/01/10
<b>Subtotal Series 1990 Bonds</b>	<b>6,265</b>	<b>1,215</b>	<b>(580)</b>	<b>635</b>	
<b>Series 1998 Bonds</b>					
College of William and Mary					
<b>Series 1998 Refunding Bonds</b>					
Christopher Newport University					
Dormitory and Dining 1992C	3,260	2,049	(2,049)	-	
College of William and Mary					
Dormitory 1992D	701	492	(492)	-	
University Center 1992C	6,617	3,801	(3,801)	-	
George Mason University					
Student Union II 1992A	1,572	750	(750)	-	
James Madison University					
Student Activities 1992C	4,599	2,644	(2,644)	-	
Longwood University					
Student Housing 1992A	2,949	1,416	(1,416)	-	
University of Mary Washington					
Residence Hall 1992C	2,094	1,202	(1,202)	-	
University of Virginia					
Central Ground Parking 1992D	6,146	4,322	(4,322)	-	
CVC Dormitory 1992C	409	209	(209)	-	
HSC Parking 1992D	843	593	(593)	-	
West Scott Stadium 1992D	614	431	(431)	-	
VCCS/Northern Virginia Community College					
NVCC Parking Deck 1992A	1,869	894	(894)	-	
Virginia Commonwealth University					
Dormitory Renovations 1992D	1,636	1,152	(1,152)	-	
Housing Repairs 1992C	755	389	(389)	-	
MCV Parking 1992C	5,198	2,984	(2,984)	-	
Virginia Polytechnic Institute and State University					
Dormitory Repairs 1992C	1,440	1,009	(1,009)	-	
Dormitory 1992D	1,380	969	(969)	-	
Residence Hall 1992C	3,158	1,814	(1,814)	-	
<b>Subtotal Series 1998 Refunding Bonds</b>	<b>45,240</b>	<b>27,120</b>	<b>(27,120)</b>	<b>-</b>	
<b>Series 1999 Bonds</b>					
Christopher Newport University					
Residence Hall II	12,980	625	(625)	-	
Longwood University					
Dining Hall	3,020	140	(140)	-	
Residence Hall Improvements	2,825	130	(130)	-	
University of Virginia					
Residence Hall - Wise	4,665	225	(225)	-	
Virginia Polytechnic Institute and State University					
Dining Hall HVAC	1,800	85	(85)	-	
<b>Subtotal Series 1999 Bonds</b>	<b>25,290</b>	<b>1,205</b>	<b>(1,205)</b>	<b>-</b>	

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	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	4,985	(1,025)	3,960	06/01/10-21
College of William and Mary					
Renovate Dormitories	4,875	1,020	(210)	810	06/01/10-21
George Mason University					
Housing Building V	21,780	8,420	(795)	7,625	06/01/10-24
Housing Renovations	3,435	1,280	(410)	870	06/01/10-11
James Madison University					
Bluestone Dorm Phase III	5,900	1,215	(250)	965	06/01/10-21
University of Mary Washington					
Residence Hall Renovation	1,925	400	(80)	320	06/01/10-21
University of Virginia					
Res. Hall-Monroe Lane	4,670	975	(200)	775	06/01/10-21
<b>Subtotal Series 2001 Bonds</b>	<b>65,635</b>	<b>18,295</b>	<b>(2,970)</b>	<b>15,325</b>	
<b>Series 2002 Bonds</b>					
College of William and Mary					
Dorm Renovations	5,015	3,885	(205)	3,680	06/01/10-22
George Mason University					
Housing Building V	8,635	6,690	(350)	6,340	06/01/10-22
James Madison University					
Bluestone Dorm Renovations I	2,045	1,580	(85)	1,495	06/01/10-22
Bluestone Dorm Renovations II	2,125	1,645	(85)	1,560	06/01/10-22
Old Dominion University					
Housing Renovation	2,565	1,990	(105)	1,885	06/01/10-22
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	975	650	(60)	590	06/01/10-17
<b>Subtotal Series 2002 Bonds</b>	<b>21,360</b>	<b>16,440</b>	<b>(890)</b>	<b>15,550</b>	
<b>Series 2002 Refunding Bonds</b>					
College of William and Mary					
Dorm Renovations	362	210	(40)	170	06/01/10-13
Dorm Repairs	898	891	(94)	797	06/01/10-16
Underground Utility	878	805	(88)	717	06/01/10-16
University Center	121	75	(15)	60	06/01/10-13
George Mason University					
University Center	14,696	10,042	(1,244)	8,798	06/01/10-15
James Madison University					
Residence Facility	3,089	1,823	(331)	1,492	06/01/10-13
Longwood University					
Dining Hall	3,072	3,046	(320)	2,726	06/01/10-16
University of Mary Washington					
Telecommunications	2,647	1,535	(280)	1,255	06/01/10-13
University of Virginia					
Newcomb Hall Expansion Projects	6,213	5,703	(604)	5,099	06/01/10-16
Student Residence Facility Project	2,796	2,566	(268)	2,298	06/01/10-16
Virginia Commonwealth University					
Visitors Deck	1,823	1,807	(194)	1,613	06/01/10-16

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	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 2002 Refunding Bonds (continued)</b>					
Virginia State University					
Dorm Renovation	690	482	(237)	245	06/01/10
Foster Hall	592	412	(202)	210	06/01/10
Jones Dining Hall	1,358	1,346	(141)	1,205	06/01/10-16
Langston Hall	661	462	(227)	235	06/01/10
<b>Subtotal Series 2002 Refunding Bonds</b>	<b>39,896</b>	<b>31,205</b>	<b>(4,285)</b>	<b>26,920</b>	
<b>Series 2003 Refunding Bonds</b>					
Christopher Newport University					
Dormitory Project	1,209	511	(160)	351	06/01/10-11
College of William and Mary					
Graduate Housing	3,906	1,601	(517)	1,084	06/01/10-11
Randolph Residences	881	164	(164)	-	
George Mason University					
Residence Hall IV	5,438	1,710	(837)	873	06/01/10
James Madsion University					
Gibbons Hall Renovation	1,316	415	(202)	213	06/01/10
Longwood University					
Housing Repairs	212	69	(32)	37	06/01/10
Norfolk State University					
Cafeteria Renovation	2,234	915	(294)	621	06/01/10-11
Residence Hall	1,948	616	(299)	317	06/01/10
Residence Hall	5,133	2,102	(678)	1,424	06/01/10-11
Old Dominion University					
Athletic Facility	2,970	935	(456)	479	06/01/10
Multi-Level Parking	2,333	734	(359)	375	06/01/10
Webb Center Addition	3,686	1,509	(484)	1,025	06/01/10-11
University of Mary Washington					
Residence Hall	1,461	461	(226)	235	06/01/10
University of Virginia					
Heater/Chiller Replacement	583	187	(92)	95	06/01/10
Student Housing	7,587	3,110	(1,001)	2,109	06/01/10-11
Virginia Polytechnic Institute and State University					
Dorm and Dining Renovation	2,694	1,104	(356)	748	06/01/10-11
Parking Renovations	2,268	929	(299)	630	06/01/10-11
Squires Center Renovation	684	214	(105)	109	06/01/10
Squires Student Center	1,755	718	(233)	485	06/01/10-11
<b>Subtotal Series 2003 Refunding Bonds</b>	<b>48,298</b>	<b>18,004</b>	<b>(6,794)</b>	<b>11,210</b>	
<b>Series 2004 New Money and Refunding Bonds</b>					
Christopher Newport University					
New Residence Hall - '01 Refunded Portion	12,842	12,582	(23)	12,559	06/01/10-20
Residence Hall II - '99 Refunded Portion	8,416	8,240	(18)	8,222	06/01/10-19
College of William & Mary					
Dorm Renovation Phase II - '97 Refunded Portion	469	420	(38)	382	06/01/10-17
Dorm Renovations - '98 Refunded Portion	3,778	3,705	(288)	3,417	06/01/10-18
Dorm Repairs - '97 Refunded Portion	2,077	1,872	(166)	1,706	06/01/10-17
Renovate Dormitories - '01 Refunded Portion	2,629	2,576	(5)	2,571	06/01/10-20
Utility System - '97 Refunded Portion	1,226	1,100	(99)	1,001	06/01/10-17

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	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>					
George Mason University					
Commonwealth and Dominion Housing	2,340	1,530	(225)	1,305	06/01/10-14
Housing Building V - '01 Refunded Portion	9,940	9,739	(18)	9,721	06/01/10-20
James Madison University					
Bluestone Dorm, Phase II - '01 Refunded Portion	3,130	3,066	(5)	3,061	06/01/10-20
Dining Facilities Renovation - '98 Refunded Portion	638	626	(51)	575	06/01/10-18
Dining Hall Renovation - '97 Refunded Portion	818	734	(67)	667	06/01/10-17
Residence Hall - '97 Refunded Portion	7,093	6,399	(568)	5,831	06/01/10-17
Student Services - '97 Refunded Portion	3,783	3,412	(304)	3,108	06/01/10-17
Longwood University					
Dining Hall - '99 Refunded Portion	1,868	1,829	(4)	1,825	06/01/10-19
Residence Hall Improvements - '99 Refunded Portion	1,747	1,710	(4)	1,706	06/01/10-19
University of Mary Washington					
Residence Hall Renovation - '01 Refunded Portion	1,036	1,015	(1)	1,014	06/01/10-20
University of Virginia					
Residence Hall - Monroe Lane - '01 Refunded Portion	2,513	2,462	(5)	2,457	06/01/10-20
Residence Hall - Wise - '99 Refunded Portion	3,020	2,957	(6)	2,951	06/01/10-19
Virginia Commonwealth University					
Academic Parking Deck - '97 Refunded Portion	7,723	6,968	(620)	6,348	06/01/10-17
Virginia Military Institute					
VMI - Crozet Hall and Parking	11,240	10,150	(400)	9,750	06/01/10-25
Virginia Polytechnic Institute and State University					
Dining Hall - '98 Refunded Portion	1,928	1,891	(146)	1,745	06/01/10-18
Dining Hall HVAC - '99 Refunded Portion	1,168	1,143	(2)	1,141	06/01/10-19
Parking Auxilliary Project - '97 Refunded Portion	951	854	(76)	778	06/01/10-17
Residence Hall - '97 Refunded Portion	9,995	9,024	(806)	8,218	06/01/10-17
Renovate Dietrick Severy, Phase II	4,800	4,150	(175)	3,975	06/01/10-24
Virginia State University					
Jones Dining Hall - '98 Refunded Portion	618	606	(45)	561	06/01/10-18
<b>Subtotal Series 2004 New Money and Refunding Bonds</b>	<b>107,786</b>	<b>100,760</b>	<b>(4,165)</b>	<b>96,595</b>	
<b>Series 2005 Bonds</b>					
College of William & Mary					
Renovate Dining	9,555	8,945	(325)	8,620	06/01/10-26
Renovate Dorms	5,800	5,430	(195)	5,235	06/01/10-26
George Mason University					
Student Housing	25,800	25,155	(670)	24,485	06/01/10-30
Longwood University					
Renovate Housing Facilities	3,915	3,455	(135)	3,320	06/01/10-25
Old Dominion University					
Renovate Housing - Phase I	4,735	4,175	(165)	4,010	06/01/10-25
University of Mary Washington					
Seacobeck Dining Hall	4,730	4,170	(165)	4,005	06/01/10-25
<b>Subtotal Series 2005 Bonds</b>	<b>54,535</b>	<b>51,330</b>	<b>(1,655)</b>	<b>49,675</b>	

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	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 2006 Refunding Bonds</b>					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	1,725	(30)	1,695	06/01/10-21
College of William & Mary					
Dorm - '96 Refunding, Refunded Portion	100	100	(10)	90	06/01/10-14
Dorm, Phase II -'96 Refunding, Refunded Portion	1,525	1,525	(95)	1,430	03/01/07-15
<b>Subtotal Series 2006 Refunding Bonds</b>	<b>3,350</b>	<b>3,350</b>	<b>(135)</b>	<b>3,215</b>	
<b>Series 2006 Bonds</b>					
College of William & Mary					
Renovate Dormitories	4,515	4,150	(150)	4,000	06/01/10-26
George Mason University					
Construct Student Housing VII	39,080	39,080	(960)	38,120	06/01/10-31
Renovate Housing Facilities	2,420	2,200	(230)	1,970	06/01/10-16
James Madison University					
Renovate Residence Hall Phase III	6,230	5,720	(205)	5,515	06/01/10-26
Longwood University					
Renovate Housing Facilities	5,900	5,420	(195)	5,225	06/01/10-26
Old Dominion University					
Construct Residence Hall Phase II	8,785	8,065	(290)	7,775	06/01/10-26
Virginia Polytechnic Institute and State University					
Parking Projects	685	630	(25)	605	06/01/10-26
Virginia State University					
Construct Dining Hall	4,330	4,185	(150)	4,035	06/01/10-26
Construct Residence Halls	16,780	16,230	(580)	15,650	06/01/10-26
<b>Subtotal Series 2006 Bonds</b>	<b>88,725</b>	<b>85,680</b>	<b>(2,785)</b>	<b>82,895</b>	
<b>Series 2007 Bonds</b>					
George Mason University					
Construct Student Housing VII and Entrance Road	15,495	15,495	-	15,495	06/01/10-32
Construct Student Housing, VII	2,010	2,010	(45)	1,965	06/01/10-32
Renovate Student Housing, President's Park I	3,130	3,130	(285)	2,845	06/01/10-17
James Madison University					
Construct Dining Hall	20,840	19,775	(660)	19,115	06/01/10-27
Renovate Bluestone Residence Hall, Phase III	2,280	2,165	(75)	2,090	06/01/10-27
Longwood University					
Renovate Cox Hall	6,250	5,930	(200)	5,730	06/01/10-27
Old Dominion University					
Construct Residence Hall, Phase II	16,115	15,290	(510)	14,780	06/01/10-27
Virginia Commonwealth University					
Monroe Park Housing	15,525	15,525	(260)	15,265	06/01/10-37
Virginia Polytechnic Institute and State University					
Construct New Residence Hall	13,130	13,130	-	13,130	06/01/10-27
Improve Residence and Dining Halls	5,995	5,995	-	5,995	06/01/10-27
Virginia State University					
Construct Residence Halls	2,020	1,955	(65)	1,890	06/01/10-27
Construct Two Residence Halls	26,160	26,160	-	26,160	06/01/10-27
<b>Subtotal Series 2007 Bonds</b>	<b>128,950</b>	<b>126,560</b>	<b>(2,100)</b>	<b>124,460</b>	

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	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 2008 Bonds</b>					
Christopher Newport University					
1998 Refunded Portion 92C	1,664	-	1,332	1,332	06/01/10-14
College of William & Mary					
1998 Refunded Portion 92C	3,801	-	3,035	3,035	06/01/10-13
1998 Refunded Portion 92D	492	-	395	395	06/01/10-13
Renovate Graduate Student Residence Halls	2,395	-	2,395	2,395	06/01/10-28
George Mason University					
1998 Refunded Portion 92A	740	-	557	557	06/01/10-12
Renovate Commonwealth and Dominion Phase II	1,530	-	1,530	1,530	06/01/10-18
Renovate President's Park Phase I	3,095	-	3,095	3,095	06/01/10-18
Renovate President's Park Phase II	3,120	-	3,120	3,120	06/01/11-28
Student Housing VII	1,955	-	1,915	1,915	06/01/10-33
Student Housing VII and Entrance Road	23,870	-	23,870	23,870	06/01/11-33
James Madison University					
1998 Refunded Portion 92C	2,644	-	2,111	2,111	06/01/10-13
Construct New Residence Hall	19,430	-	18,825	18,825	06/01/10-28
Longwood University					
1998 Refunded Portion 92A	1,397	-	1,047	1,047	06/01/10-12
Renovate Cox Hall	4,630	-	4,480	4,480	06/01/10-28
Old Dominion University					
Quad Housing Phase II	39,960	-	38,715	38,715	06/01/10-28
University of Mary Washington					
1998 Refunded Portion 92C	1,202	-	963	963	06/01/10-13
University of Virginia					
1998 Refunded Portion 92C	207	-	153	153	06/01/10-12
1998 Refunded Portion 92D	594	-	474	474	06/01/10-13
1998 Refunded Portion 92D	4,323	-	3,454	3,454	06/01/10-13
1998 Refunded Portion 92D	431	-	345	345	06/01/10-13
VCCS/Northern Virginia Community College					
1998 Refunded Portion 92A	882	-	661	661	06/01/10-12
Virginia Commonwealth University					
1998 Refunded Portion 92C	2,985	-	2,383	2,383	06/01/10-13
1998 Refunded Portion 92C	384	-	286	286	06/01/10-12
1998 Refunded Portion 92D	1,152	-	923	923	06/01/10-13
Virginia Polytechnic Institute and State University					
1998 Refunded Portion 92C	1,813	-	1,450	1,450	06/01/10-13
1998 Refunded Portion 92D	1,010	-	809	809	06/01/10-13
1998 Refunded Portion 92D	969	-	775	775	06/01/10-13
New Residence Hall	17,185	-	17,185	17,185	06/01/10-28
Parking Auxiliary Projects	1,545	-	1,495	1,495	06/01/10-28
<b>Subtotal Series 2008 Bonds</b>	<b>145,405</b>	<b>-</b>	<b>137,778</b>	<b>137,778</b>	
Deferral on Debt Defeasance	-	(8,740)	727	(8,013)	
Unamortized Premium	-	9,476	5,202	14,678	
<b>Subtotal Higher Educational Institution</b>					
<b>Bonds</b>	<b>821,945</b>	<b>487,296</b>	<b>86,254</b>	<b>573,550</b>	

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	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	2,950	(2,950)	-	
Series 2002, Dulles Refunding	24,615	24,460	(24,460)	-	
Series 2006, Coleman Refunding	31,880	31,390	(1,830)	29,560	06/01/10-21
Deferral on Debt Defeasance	-	(1,864)	1,797	(67)	
Unamortized Premium	-	2,358	(1,493)	865	
<b>Subtotal Transportation Facilities Bonds</b>	<b>90,843</b>	<b>59,294</b>	<b>(28,936)</b>	<b>30,358</b>	
<b>Parking Facilities Bonds (Primary Government)</b>					
Series 2002 Refunding	230	205	(25)	180	06/01/10-15
Series 2003 Refunding	5,860	2,405	(775)	1,630	06/01/10-11
Series 2004	5,390	4,665	(200)	4,465	06/01/10-24
Deferral on Debt Defeasance	-	(222)	45	(177)	
Unamortized Premium	-	537	(109)	428	
<b>Subtotal Parking Facilities Bonds</b>	<b>11,480</b>	<b>7,590</b>	<b>(1,064)</b>	<b>6,526</b>	
<b>Total Section 9(c) Debt</b>	<b>924,268</b>	<b>554,180</b>	<b>56,254</b>	<b>610,434</b>	
<b>Total General Obligation Debt</b>	<b>2,254,586</b>	<b>1,489,285</b>	<b>161,785</b>	<b>1,651,070</b>	
<b>Nongeneral Obligation Debt</b>					
<b>Section 9(d) Debt</b>					
<b>Virginia Public Building Authority Bonds (Primary Government)</b>					
Series 1992B	94,335	-	-	-	
Accreted Principal	-	35,821	(13,764)	22,057	08/01/09-10
Series 1998A Refunding	147,000	17,685	(17,685)	-	
Series 1998B	40,425	1,905	(1,905)	-	
Series 1999A	68,920	3,090	(3,090)	-	
Series 1999B	27,730	3,855	(1,880)	1,975	08/01/09
Series 2000A	104,990	13,860	(4,375)	9,485	08/01/09-10
Series 2001A	35,830	28,005	(23,140)	4,865	08/01/09-21
Series 2002A	55,000	45,055	(23,800)	21,255	08/01/09-22
Series 2003A	38,809	27,810	(4,090)	23,720	08/01/09-14
Series 2004A	187,106	168,036	(16,516)	151,520	08/01/09-16
Series 2004B	207,065	178,655	(10,610)	168,045	08/01/09-24
Series 2004C	39,260	30,140	(3,205)	26,935	08/01/09-15
Series 2004D	106,460	105,325	(400)	104,925	08/01/09-20
Series 2005A	47,305	40,490	(3,105)	37,385	08/01/09-18
Series 2005B	135,675	132,000	(5,145)	126,855	08/01/09-19
Series 2005C	165,810	144,710	(11,355)	133,355	08/01/09-22
Series 2005D	50,000	50,000	-	50,000	08/01/22-25
Series 2006A	135,000	128,080	(7,220)	120,860	08/01/09-26
Series 2006B	215,065	206,395	(8,555)	197,840	08/01/09-26
Series 2007A	242,480	242,480	(6,650)	235,830	08/01/09-27
Series 2008A	58,995	58,995	-	58,995	08/01/09-12
Series 2008B	150,000	-	150,000	150,000	08/01/09-28
Series 2009A	40,995	-	40,995	40,995	08/01/10-21
Series 2009B	265,000	-	265,000	265,000	08/01/10-29

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)**

For the Fiscal Year Ended June 30, 2009

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	Maturity
<b>Nongeneral Obligation Debt (continued)</b>					
<b>Section 9(d) Debt (continued)</b>					
<b>Virginia Public Building Authority Bonds (Primary Government) (continued)</b>					
Series 2009C	10,000	-	10,000	10,000	08/01/10-21
Series 2009D	42,745	-	42,745	42,745	08/01/10-21
Deferral on Debt Defeasance	-	(26,609)	91	(26,518)	
Unamortized Premium	-	83,672	30,866	114,538	
<b>Total Virginia Public Building Authority</b>					
<b>Bonds</b>	<b>2,712,000</b>	<b>1,719,455</b>	<b>373,207</b>	<b>2,092,662</b>	
<b>Virginia College Building Authority Bonds (Component Unit) (1)</b>					
21st Century College Program					
Series 1998	54,785	5,655	(2,765)	2,890	08/01/09
Series 1999	59,495	4,655	(4,655)	-	
Series 2000	60,900	630	(630)	-	
Series 2001	65,795	6,330	(5,505)	825	02/01/10
Series 2002	130,795	27,215	(7,845)	19,370	02/01/10-14
Series 2003	140,250	89,010	(4,165)	84,845	02/01/10-23
Series 2004A	172,745	123,085	(13,070)	110,015	02/01/10-24
Series 2004B Refunding	61,395	60,120	(2,700)	57,420	02/01/10-20
Series 2005	115,785	79,710	(12,675)	67,035	02/01/10-25
Series 2006A	53,835	35,265	(11,185)	24,080	02/01/10-11
Series 2006BC	120,000	111,235	-	111,235	02/01/11-26
Series 2007A	59,125	59,125	-	59,125	02/01/14-22
Series 2007B	132,095	113,850	(17,070)	96,780	02/01/10-27
Series 2008A	144,075	144,075	(9,670)	134,405	02/01/10-28
Series 2009A	284,020	-	284,020	284,020	02/01/10-29
Series 2009B	84,680	-	84,680	84,680	02/01/10-18
Series 2009C	12,945	-	12,945	12,945	02/01/10-15
Deferral on Debt Defeasance	-	(5,265)	(322)	(5,587)	
Unamortized Premium	-	44,877	14,741	59,618	
<b>Total Virginia College Building Authority</b>					
<b>Bonds</b>	<b>1,752,720</b>	<b>899,572</b>	<b>304,129</b>	<b>1,203,701</b>	
<b>Transportation Debt (Primary Government)</b>					
Route 28 Refunding Bonds	111,680	107,732	(2,352)	105,380	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	492,725	(24,215)	468,510	11/15/03-26
Northern Virginia Transportation District Program	324,410	282,645	(11,800)	270,845	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	22,065	(1,140)	20,925	11/15/03-22
Deferral on Debt Defeasance	-	(7,790)	3,973	(3,817)	
Unamortized Premium	-	51,130	(4,372)	46,758	
<b>Total Section 9(d) Transportation Debt</b>	<b>1,075,785</b>	<b>948,507</b>	<b>(39,906)</b>	<b>908,601</b>	
<b>Virginia Port Authority Debt (Component Unit)</b>					
Series 1996	38,300	-	-	-	
Refunding Series 1998	71,015	10,085	(10,085)	-	
Series 2002	135,000	125,925	(3,755)	122,170	07/11/92-27
Series 2005	60,000	57,480	(1,370)	56,110	07/01/05-30
Series 2006	21,730	20,730	(2,015)	18,715	07/01/07-16
Deferral on Debt Defeasance	-	(249)	32	(217)	
Unamortized Premium	-	4,625	(517)	4,108	
<b>Total Virginia Port Authority Debt</b>	<b>326,045</b>	<b>218,596</b>	<b>(17,710)</b>	<b>200,886</b>	

Series	Amount Issued	Outstanding June 30, 2008	Issued (Retired) During Year	Outstanding June 30, 2009	Maturity
<b>Nongeneral Obligation Debt (continued)</b>					
<b>Section 9(d) Debt (continued)</b>					
<b>Innovative Technology Authority Debt (Component Unit)</b>					
Series 1997	13,300	6,270	(855)	5,415	05/01/97-14
<b>Virginia Biotechnology Research Partnership Authority (Component Unit)</b>					
Series 1996	91,010	47,485	(2,415)	45,070	09/01/03-22
Unamortized Premium	-	367	(28)	339	
	91,010	47,852	(2,443)	45,409	
<b>Virginia Public Broadcasting Board</b>					
Board Notes Payable	23,840	8,520	(2,690)	5,830	08/01/03-11
<b>Industrial Development Authority Obligations</b>					
	42,490	14,640	(4,615)	10,025	03/01/03-11
<b>Economic Development Authority Obligations</b>					
Unamortized Premium	96,515	93,325	(3,345)	89,980	12/01/06-26
	-	3,667	(205)	3,462	
	96,515	96,992	(3,550)	93,442	
<b>Total Section 9(d) Debt</b>	<b>6,133,705</b>	<b>3,960,404</b>	<b>605,567</b>	<b>4,565,971</b>	
<b>Nongeneral Obligation Debt and Other Obligations</b>					
<b>Other Long-term Debt (2)</b>					
Capital Leases	-	250,250	(33,650)	216,600	
Installment Purchase Obligations	-	173,572	44,630	218,202	
Transportation Notes Payable	-	12,325	(4,325)	8,000	
Regional Jail Construction Liability	-	9,980	(1,749)	8,231	
Tax Refund Note	-	-	81,278	81,278	
Aviation Note Payable	6,600	2,195	(286)	1,909	
<b>Total Other Long-term Debt</b>	<b>6,600</b>	<b>448,322</b>	<b>85,898</b>	<b>534,220</b>	
<b>Other Long-term Obligations</b>					
Compensated Absences	-	575,271	(1,367)	573,904	
Pension Liability	-	1,237,460	173,053	1,410,513	
OPEB Liability	-	119,658	119,682	239,340	
Other	-	20,203	4,571	24,774	
<b>Total Other Long-term Obligations</b>	<b>-</b>	<b>1,952,592</b>	<b>295,939</b>	<b>2,248,531</b>	
<b>Total Nongeneral Obligation Debt and Other Obligations</b>	<b>6,140,305</b>	<b>6,361,318</b>	<b>987,404</b>	<b>7,348,722</b>	
<b>Total Tax-Supported Debt and Other Obligations</b>	<b>\$ 8,394,891</b>	<b>\$ 7,850,603</b>	<b>\$ 1,149,189</b>	<b>\$ 8,999,792</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 include internal service funds.



# STATISTICAL SECTION

The financial presentations included in this section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

## Contents

<b>Financial Trends</b> .....	277
These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and well-being have changed over time.	
Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental	
Revenue by Source and Expenditures by Function	
Net Assets by Component – Accrual Basis of Accounting	
Changes in Net Assets – Accrual Basis of Accounting	
Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting	
Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting	
Comparison of General Fund Balance	
<b>Revenue Capacity</b> .....	289
These schedules contain information to help the reader assess the factors affecting the Commonwealth's ability to generate its income taxes.	
Personal Income Tax Rates	
Effective Tax Rates	
Personal Income Tax Filers and Liability by Income Level	
Personal Income by Industry	
Taxable Sales by Business Class	
Sales Tax Revenue by Business Class	
<b>Debt Capacity</b> .....	297
These schedules present information to help the reader assess the affordability of the Commonwealth's current levels of outstanding debt and the Commonwealth's ability to issue debt in the future.	
Ratios of Outstanding Debt by Type	
Ratios of General Obligation Bonded Debt Outstanding	
Computation of Legal Debt Limit and Margin	
Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt	
<b>Demographic and Economic Information</b> .....	303
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commonwealth's financial activities take place and to help make comparisons over time and with other governments.	
Schedule of Demographic and Economic Statistics	
Principal Employers	
<b>Operating Information</b> .....	307
These schedules contain information about the Commonwealth's operations and resources to help the reader understand how the Commonwealth's financial information relates to the services the Commonwealth provides and the activities it performs.	
State Employees by Function	
Operating Indicators by Function	
Capital Asset Statistics by Function	
<b>Employees of the Department of Accounts</b> .....	313

**Sources:** 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, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.



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## Financial Trends

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**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)

	2009	2008	2007	2006
<b>Tax Revenues:</b>				
Individual and Fiduciary Income	\$ 9,471	\$ 10,084	\$ 9,629	\$ 9,236
Sales and Use	3,568	3,820	3,760	3,682
Motor Fuels	889	924	930	902
Corporation Income	642	767	889	869
Public Service Corporations	103	106	89	91
Motor Vehicle Sales and Use	406	534	588	593
Gross Premiums of Insurance Companies	387	397	385	374
Alcoholic Beverage Sales Tax	110	106	100	94
Deeds, Contracts, Wills, and Suits	351	457	584	696
Beer and Beverage Excise	45	44	44	44
Estate	4	136	140	167
Tobacco Products	182	183	188	189
Bank Stock	21	14	13	12
Wine and Spirits / ABC Liter	20	19	18	16
Other Taxes	77	68	79	78
Total Tax Revenues	<u>16,276</u>	<u>17,659</u>	<u>17,436</u>	<u>17,043</u>
<b>Other Revenues:</b>				
Federal and Other Grants, Donations, and Federal				
Revenue Sharing	8,113	6,627	6,204	5,958
Institutional Revenue	409	390	360	343
Sales of Property and Commodities	26	29	24	32
Rights and Privileges	889	933	826	816
Interest, Dividends, and Rents	218	452	532	256
Fines, Forfeitures, Costs, Penalties and Escheats	349	394	334	279
Assessments - Special Services	113	109	110	103
Other Revenues	611	645	558	634
Total Other Revenues	<u>10,728</u>	<u>9,579</u>	<u>8,948</u>	<u>8,421</u>
Total Revenues	<u>\$ 27,004</u>	<u>\$ 27,238</u>	<u>\$ 26,384</u>	<u>\$ 25,464</u>
Percentage Increase Over Previous Year	-0.9%	3.2%	3.6%	7.5%
<b>Expenditures by Function:</b>				
Education	\$ 9,260	\$ 8,940	\$ 8,700	\$ 7,661
Administration of Justice	2,531	2,543	2,398	2,296
Individual and Family Services	10,764	9,345	8,996	8,626
Resources and Economic Development	990	868	812	788
Transportation	3,704	3,883	3,141	3,092
General Government (2)	2,512	2,612	2,545	2,246
Enterprises	-	-	-	-
Capital Outlay	612	845	808	588
Total Expenditures	<u>\$ 30,373</u>	<u>\$ 29,036</u>	<u>\$ 27,400</u>	<u>\$ 25,297</u>
Percentage Increase Over Previous Year	4.6%	6.0%	8.3%	6.9%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) Fiscal years 2000-2001 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

2005	2004	2003	2002	2001	2000
\$ 8,344	\$ 7,380	\$ 6,751	\$ 6,758	\$ 7,226	\$ 6,829
3,569	3,007	2,722	2,646	2,661	2,574
912	904	881	859	821	794
644	426	344	236	364	566
89	91	99	82	98	104
599	589	529	527	497	492
374	351	333	293	268	251
89	86	81	76	73	70
597	341	286	214	168	146
43	43	42	42	41	41
161	148	141	138	127	150
122	16	15	15	15	15
10	9	9	10	5	12
14	8	9	10	10	7
71	134	109	91	63	58
15,638	13,533	12,351	11,997	12,437	12,109
5,627	5,832	5,524	4,916	3,778	3,459
324	338	334	444	466	439
37	28	26	28	122	91
758	734	689	623	601	577
204	84	191	264	218	169
317	317	380	330	171	162
105	96	96	99	114	52
685	475	468	1,101	941	875
8,057	7,904	7,708	7,805	6,411	5,824
\$ 23,695	\$ 21,437	\$ 20,059	\$ 19,802	\$ 18,848	\$ 17,933
10.5%	6.9%	1.3%	5.1%	5.1%	10.5%
\$ 7,068	\$ 6,236	\$ 6,250	\$ 6,187	\$ 4,659	\$ 4,353
2,204	2,052	2,032	2,157	2,072	1,898
8,060	7,525	7,134	6,864	5,985	5,609
708	668	641	721	707	614
3,115	2,917	3,044	3,269	2,846	2,585
2,101	2,179	1,925	1,805	1,508	1,175
-	-	-	-	107	94
414	193	108	255	326	354
\$ 23,670	\$ 21,770	\$ 21,134	\$ 21,258	\$ 18,210	\$ 16,682
8.7%	3.0%	-0.6%	16.7%	9.2%	8.2%

**Net Assets by Component (1)**  
**Accrual Basis of Accounting**

Last Eight Fiscal Years  
(Dollars in Millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Governmental Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 16,209	\$ 15,241	\$ 13,835	\$ 11,637
Restricted	1,421	1,641	1,893	1,588
Unrestricted	(1,555)	516	944	2,874
<b>Total Governmental Activities Net Assets</b>	<u>16,075</u>	<u>17,398</u>	<u>16,672</u>	<u>16,099</u>
<b>Business-type Activities:</b>				
Invested in Capital Assets, Net of Related Debt	23	26	30	32
Restricted	372	816	872	790
Unrestricted	(180)	59	212	17
<b>Total business-type Activities Net Assets</b>	<u>215</u>	<u>901</u>	<u>1,114</u>	<u>839</u>
<b>Primary Government:</b>				
Invested in Capital Assets, Net of Related Debt	16,232	15,267	13,865	11,669
Restricted	1,793	2,457	2,765	2,378
Unrestricted	(1,735)	575	1,156	2,891
<b>Total Primary Government Net Assets</b>	<u>\$ 16,290</u>	<u>\$ 18,299</u>	<u>\$ 17,786</u>	<u>\$ 16,938</u>

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

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<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 11,830	\$ 11,097	\$ 9,811	\$ 9,152
1,252	857	883	1,433
841	598	440	(134)
<u>13,923</u>	<u>12,552</u>	<u>11,134</u>	<u>10,451</u>
(132)	22	24	24
600	412	437	900
(49)	(250)	(290)	(108)
<u>419</u>	<u>184</u>	<u>171</u>	<u>816</u>
11,698	11,119	9,835	9,176
1,852	1,269	1,320	2,333
792	348	150	(242)
<u>\$ 14,342</u>	<u>\$ 12,736</u>	<u>\$ 11,305</u>	<u>\$ 11,267</u>

**Changes in Net Assets (1)**  
**Accrual Basis of Accounting**

Last Eight Fiscal Years  
(Dollars in Millions)

	2009	2008	2007	2006
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General Government	\$ 2,541	\$ 2,470	\$ 2,645	\$ 2,015
Education	9,566	9,300	9,542	7,926
Transportation	2,786	3,054	2,256	2,559
Resources and Economic Development	1,003	878	841	835
Individual and Family Services	10,757	9,249	9,022	8,570
Administration of Justice	2,611	2,607	2,659	2,493
Interest on Long-term Debt	201	205	203	209
<b>Total Governmental Activities Expenses</b>	<b>29,465</b>	<b>27,763</b>	<b>27,168</b>	<b>24,607</b>
<b>Business-type Activities:</b>				
State Lottery	920	936	929	908
Virginia College Savings Plan	115	244	180	238
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	881	433	382	339
Alcoholic Beverage Control	467	457	434	408
Local Choice Health Care	231	202	179	165
Other	120	118	109	147
<b>Total Business-type Activities Expenses</b>	<b>2,734</b>	<b>2,390</b>	<b>2,213</b>	<b>2,205</b>
<b>Total Primary Government Expenses</b>	<b>\$ 32,199</b>	<b>\$ 30,153</b>	<b>\$ 29,381</b>	<b>\$ 26,812</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
General Government	\$ 243	\$ 229	\$ 216	\$ 251
Education	373	379	350	311
Transportation	643	709	583	601
Resources and Economic Development	299	297	299	280
Individual and Family Services	415	389	370	394
Administration of Justice	321	387	292	286
Operating Grants and Contributions	7,584	6,067	5,870	5,671
Capital Grants and Contributions	997	1,152	851	707
<b>Total Governmental Activities Program Revenues</b>	<b>10,875</b>	<b>9,609</b>	<b>8,831</b>	<b>8,501</b>
<b>Business-type Activities:</b>				
Charges for Services:				
State Lottery	1,366	1,389	1,366	1,367
Virginia College Savings Plan	(117)	70	328	272
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	341	350	438	543
Alcoholic Beverage Control	573	552	525	497
Local Choice Health Care	226	216	207	186
Other	128	129	127	125
Operating Grants and Contributions	105	39	36	27
<b>Total Business-type Activities Program Revenue</b>	<b>2,622</b>	<b>2,745</b>	<b>3,027</b>	<b>3,017</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 13,497</b>	<b>\$ 12,354</b>	<b>\$ 11,858</b>	<b>\$ 11,518</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (18,590)	\$ (18,154)	\$ (18,337)	\$ (16,106)
Business-type Activities	(112)	355	814	812
<b>Total Primary Government Net Expense</b>	<b>\$ (18,702)</b>	<b>\$ (17,799)</b>	<b>\$ (17,523)</b>	<b>\$ (15,294)</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

	2005	2004	2003	2002
\$	2,029	\$ 1,947	\$ 1,654	\$ 1,603
	7,269	6,497	6,484	6,406
	2,493	2,217	2,210	2,195
	765	687	669	771
	7,991	7,587	7,153	6,919
	2,262	2,126	2,115	2,323
	167	172	189	224
	22,976	21,233	20,474	20,441
	908	846	759	743
	311	4	408	259
	39	37	37	25
	359	485	712	656
	-	-	-	-
	-	-	-	-
	653	611	533	477
	2,270	1,983	2,449	2,160
\$	25,246	\$ 23,216	\$ 22,923	\$ 22,601
\$	258	\$ 224	\$ 195	\$ 183
	272	228	304	292
	537	518	523	469
	241	226	205	190
	398	394	341	1,165
	294	346	321	374
	5,262	5,312	4,796	3,998
	578	734	779	1,188
	7,840	7,982	7,464	7,859
	1,334	1,262	1,136	1,108
	379	109	234	160
	10	7	5	-
	539	445	263	158
	-	-	-	-
	-	-	-	-
	747	684	576	522
	19	17	38	278
	3,028	2,524	2,252	2,226
\$	10,868	\$ 10,506	\$ 9,716	\$ 10,085
\$	(15,136)	\$ (13,251)	\$ (13,010)	\$ (12,582)
	758	541	(197)	66
\$	(14,378)	\$ (12,710)	\$ (13,207)	\$ (12,516)

Continued on next page

**Changes in Net Assets (1)****Accrual Basis of Accounting** (Continued from previous page)Last Eight Fiscal Years  
(Dollars in Millions)

	2009	2008	2007	2006
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental Activities:</b>				
Taxes:				
Individual and Fiduciary Income	\$ 9,559	\$ 10,100	\$ 9,639	\$ 9,206
Sales and Use	3,554	3,821	3,756	3,679
Corporation Income	546	772	906	838
Motor Fuel	889	924	930	938
Motor Vehicle Sales and Use	406	534	588	593
Premiums of Insurance Companies	365	356	385	374
Public Service Corporations	103	106	89	91
Other Taxes	814	1,025	1,161	1,296
Unrestricted Grants and Contributions	60	54	50	48
Investment Earnings	143	349	477	221
Miscellaneous	237	224	154	115
Transfers	591	593	564	581
Contributions to Permanent and Term Endowments	-	-	20	-
<b>Total Governmental Activities</b>	<b>17,267</b>	<b>18,858</b>	<b>18,719</b>	<b>17,980</b>
<b>Business-type Activities:</b>				
Other Taxes	13	12	12	12
Investment earnings	4	12	11	12
Miscellaneous	-	1	-	1
Transfers	(591)	(593)	(563)	(581)
Special Items	-	-	-	164
<b>Total Business-type Activities</b>	<b>(574)</b>	<b>(568)</b>	<b>(540)</b>	<b>(392)</b>
<b>Total Primary Government</b>	<b>\$ 16,693</b>	<b>\$ 18,290</b>	<b>\$ 18,179</b>	<b>\$ 17,588</b>
<b>Change in Net Assets</b>				
Governmental Activities	\$ (1,323)	\$ 704	\$ 381	\$ 1,873
Business-type Activities	(686)	(213)	274	421
<b>Total Primary Government</b>	<b>\$ (2,009)</b>	<b>\$ 491</b>	<b>\$ 655</b>	<b>\$ 2,294</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

	2005	2004	2003	2002
\$	8,356	\$ 7,364	\$ 6,816	\$ 6,714
	3,578	3,014	2,736	2,659
	651	412	326	240
	912	908	882	854
	599	589	529	526
	374	351	333	293
	89	92	99	82
	1,108	784	689	602
	53	52	61	60
	154	25	135	201
	291	284	486	165
	535	549	466	424
	-	-	-	-
	16,700	14,424	13,558	12,820
	12	12	5	3
	10	9	12	14
	1	-	2	2
	(535)	(549)	(466)	(424)
	-	-	-	-
	(512)	(528)	(447)	(405)
\$	16,188	\$ 13,896	\$ 13,111	\$ 12,415
\$	1,564	\$ 1,173	\$ 548	\$ 238
	246	13	(644)	(339)
\$	1,810	\$ 1,186	\$ (96)	\$ (101)

**Changes in Fund Balance, Governmental Funds (1)**  
**Modified Accrual Basis of Accounting**

Last Eight Fiscal Years  
(Dollars in Millions)

	2009	2008	2007	2006
<b>Revenues</b>				
Taxes	\$ 16,276	\$ 17,659	\$ 17,436	\$ 17,043
Rights and Privileges	889	933	826	816
Institutional Revenue	409	390	360	343
Interest, Dividends, Rents, and				
Other Investment Income (Note 1)	218	452	532	256
Federal Grants and Contracts	8,112	6,627	6,203	5,958
Other	1,100	1,177	1,027	1,048
<b>Total revenues</b>	<b>27,004</b>	<b>27,238</b>	<b>26,384</b>	<b>25,464</b>
<b>Expenditures</b>				
General Government	1,889	2,047	2,030	1,787
Education	9,260	8,940	8,700	7,661
Transportation	3,704	3,883	3,141	3,092
Resources and Economic Development	990	868	812	788
Individual and Family Services	10,764	9,345	8,996	8,626
Administration of Justice	2,531	2,543	2,398	2,296
Capital Outlay	612	845	809	588
Debt Service:				
Principal Retirement	416	362	322	280
Interest and Charges	207	203	192	179
<b>Total Expenditures</b>	<b>30,373</b>	<b>29,036</b>	<b>27,400</b>	<b>25,297</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(3,369)</b>	<b>(1,798)</b>	<b>(1,016)</b>	<b>167</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,571	1,663	1,637	1,590
Transfers Out	(976)	(1,070)	(1,072)	(1,014)
Notes Issued	21	-	16	128
Insurance Recoveries	8	6	7	4
Capital Leases	1	5	4	1
Bonds Issued	646	416	593	584
Premium on Debt Issuance	46	23	40	45
Refunding Bonds Issued	68	59	123	205
Sale of Capital Assets	4	7	8	7
Payments to Refunded Bond Escrow Agents	(74)	(62)	(131)	(214)
<b>Total Other Financing Sources (Uses)</b>	<b>1,315</b>	<b>1,047</b>	<b>1,225</b>	<b>1,336</b>
<b>Net Change in Fund Balances</b>	<b>\$ (2,054)</b>	<b>\$ (751)</b>	<b>\$ 209</b>	<b>\$ 1,503</b>
Debt Service as a Percentage of				
Noncapital Expenditures	2.09%	2.00%	1.93%	1.86%

(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

2005	2004	2003	2002
\$ 15,636	\$ 13,533	\$ 12,351	\$ 11,996
758	734	689	623
325	338	334	444
204	84	191	265
5,627	5,832	5,524	4,916
1,144	916	971	1,558
<u>23,694</u>	<u>21,437</u>	<u>20,060</u>	<u>19,802</u>
1,687	1,757	1,549	1,483
7,068	6,236	6,250	6,187
3,115	2,917	3,044	3,269
708	668	641	721
8,060	7,524	7,134	6,864
2,204	2,052	2,032	2,157
414	193	108	255
249	243	195	156
165	179	181	166
<u>23,670</u>	<u>21,769</u>	<u>21,134</u>	<u>21,258</u>
<u>24</u>	<u>(332)</u>	<u>(1,074)</u>	<u>(1,456)</u>
1,555	1,507	1,643	1,542
(1,018)	(954)	(1,161)	(1,116)
-	-	7	-
-	-	-	-
1	-	60	4
375	-	713	196
84	19	102	4
731	186	573	-
-	-	-	-
(789)	(211)	(610)	-
<u>939</u>	<u>547</u>	<u>1,327</u>	<u>630</u>
\$ <u>963</u>	\$ <u>215</u>	\$ <u>253</u>	\$ <u>(826)</u>
1.78%	1.96%	1.79%	1.53%

**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	
2009	\$ 670	\$ (928)	\$ (258)	\$ 306	\$ 2,325	\$ 331	\$ 45	\$ 3,007
2008	1,125	78	1,203	343	3,072	134	52	3,601
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

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
	2009	\$ 823.5
2008	2,219.8	1,202.9
2007	2,955.1	1,984.0
2006	2,890.0	2,135.5
2005	1,865.3	1,229.0
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

Source: Department of Accounts

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## Revenue Capacity

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## Personal Income Tax Rates

Last Ten Fiscal Years  
(Dollars in Millions)

For the Fiscal Year Ended June 30,	Personal Income Tax Collections (1)	Personal Income (2)(4)	Average Effective Rate (3)
2009	\$ 9,481	\$ 340,692	2.78%
2008	10,115	333,594	3.03%
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%

- (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)

Tax Years 1999 – 2009

Income Tax Bracket	Tax Rate
\$0 - \$3,000	2.00%
\$3,000 - \$5,000	2.00% - 2.40%
\$5,000 - \$17,000	2.40% - 4.23%
\$17,000 - \$30,000	4.23% - 4.89%
\$30,000 - \$50,000	4.89% - 5.23%
\$50,000 - \$100,000	5.23% - 5.49%
Over \$100,000	5.49% up to 5.75%

- (1) Amounts shown are for all filing status returns.

Source: 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, 2007 (2)				Tax Year Ended December 31, 1998			
	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
\$100,000 and higher	566,306	15.74%	\$ 6,181,229,547	64.38%	236,276	8.02%	\$ 2,525,805,617	46.65%
\$75,000 - \$99,999	306,481	8.52%	1,047,814,131	10.91%	187,683	6.37%	682,089,262	12.60%
\$50,000 - \$74,999	485,673	13.50%	1,088,449,558	11.34%	379,039	12.86%	925,100,058	17.09%
\$25,000 - \$49,999	853,970	23.74%	980,539,774	10.21%	714,014	24.22%	931,400,366	17.20%
\$10,000 - \$24,999	737,474	20.50%	286,511,038	2.98%	724,758	24.59%	326,814,596	6.04%
\$9,999 and lower	648,010	18.00%	17,226,833	0.18%	705,978	23.94%	22,945,640	0.42%
<b>Total</b>	<b>3,597,914</b>	<b>100.00%</b>	<b>\$ 9,601,770,881</b>	<b>100.00%</b>	<b>2,947,748</b>	<b>100.00%</b>	<b>\$ 5,414,155,539</b>	<b>100.00%</b>

- (1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.
- (2) Tax year 2007 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>2009 (1)</u>	<u>2008 (4)</u>	<u>2007 (4)</u>	<u>2006 (4)</u>	<u>2005 (4)</u>
Farm Earnings	\$ 235	\$ 256	\$ 201	\$ 330	\$ 627
Agricultural/Forestry, Fishing, and Other	314	329	320	323	257
Mining	981	995	916	1,016	830
Construction	13,011	15,711	17,571	17,949	16,735
Manufacturing	15,939	17,308	17,348	17,055	17,199
Transportation, Warehousing, Information and Public Utilities	16,564	17,443	17,372	17,226	16,913
Wholesale Trade	9,425	9,723	9,712	8,976	8,470
Retail Trade	13,704	14,468	14,401	14,190	13,734
Finance, Insurance, Real Estate, Rental and Leasing	16,993	18,125	18,881	18,677	18,358
Services	103,160	103,391	97,452	91,113	83,935
Federal, Civilian	22,664	20,549	19,604	18,012	17,166
Military	17,109	15,730	15,120	14,396	13,412
State and Local government	30,116	28,702	27,490	26,215	24,642
Other (2)	80,477	81,346	74,943	68,689	59,375
Total Personal Income	<u>\$ 340,692</u>	<u>\$ 344,076</u>	<u>\$ 331,331</u>	<u>\$ 314,167</u>	<u>\$ 291,653</u>
Average Effective Rate (3)	2.78%	3.03%	3.07%	3.09%	2.93%

(1) Personal income figures for 2009 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 2000-2008 were revised to reflect the incorporation of newly available and revised source data.

Source: U.S. Bureau of Economic Analysis

Note: Details may not agree to BEA due to rounding.

<u>2004 (4)</u>	<u>2003 (4)</u>	<u>2002 (4)</u>	<u>2001 (4)</u>	<u>2000 (4)</u>
\$ 552	\$ 298	\$ 300	\$ 477	\$ 587
303	269	272	291	259
761	631	617	638	656
15,568	13,505	13,019	12,522	11,610
16,536	16,596	16,499	16,415	16,026
16,385	15,386	15,379	19,092	16,763
8,042	7,402	7,165	7,523	7,164
13,093	12,428	11,813	11,356	10,994
16,300	15,697	15,054	14,531	11,307
76,830	69,834	65,788	63,571	58,850
16,630	14,408	13,869	12,734	12,370
12,813	11,925	10,662	9,566	9,178
22,791	21,410	20,533	19,716	18,712
55,666	55,717	54,144	51,420	49,147
<u>\$ 272,270</u>	<u>\$ 255,506</u>	<u>\$ 245,114</u>	<u>\$ 239,852</u>	<u>\$ 223,623</u>
2.80%	2.73%	2.79%	3.07%	3.12%

**Taxable Sales by Business Class (1) (3)**Last Ten Calendar Years  
(Dollars in Millions)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2004</u>	<u>2003</u>
Apparel	\$ 5,015	\$ 5,191	\$ 4,917	\$ 4,087	\$ 3,719
Automotive	2,440	2,563	2,413	5,146	4,810
Food	23,721	22,502	19,943	21,931	20,887
Furniture, Home Furnishings, and Equipment	3,013	3,448	3,684	6,015	5,666
General Merchandise	19,387	19,574	17,104	13,312	12,686
Lumber, Building Materials and Supply	8,140	9,354	8,929	9,006	7,431
Fuel	1,539	1,729	1,778	488	487
Machinery, Equipment and Supplies	241	238	213	3,581	3,151
Miscellaneous	18,527	18,301	18,355	14,914	13,297
Hotels, Motels, Tourist Camps, etc.	3,066	3,079	3,003	2,354	2,307
Alcoholic Beverage	517	487	456	409	483
Other Miscellaneous and Unidentifiable	4,495	5,577	8,683	48	49
Total	<u>\$ 90,101</u>	<u>\$ 92,043</u>	<u>\$ 89,478</u>	<u>\$ 81,291</u>	<u>\$ 74,973</u>
Direct Sales Tax Rate (2)	5.0%	5.0%	5.0%	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

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$	3,579	\$ 3,434	\$ 3,503	\$ 3,294	\$ 3,040
	4,487	3,470	3,297	3,240	3,044
	19,937	19,378	19,014	18,515	17,379
	5,208	5,006	5,255	5,188	4,470
	12,117	12,472	12,693	10,892	10,546
	6,979	6,778	6,441	6,276	5,916
	392	458	533	448	416
	3,001	3,112	3,427	3,014	2,800
	12,466	12,051	11,732	10,611	9,998
	2,213	2,157	2,392	2,258	2,164
	186	342	298	278	279
	80	67	75	54	62
\$	<u>70,645</u>	<u>\$ 68,725</u>	<u>\$ 68,660</u>	<u>\$ 64,068</u>	<u>\$ 60,114</u>
	4.5%	4.5%	4.5%	4.5%	4.5%

## Sales Tax Revenue by Business Class (1)

Tax Year 2008 and Nine Years Ago

	Tax Year Ended December 31, 2008				Tax Year Ended December 31, 1999			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Apparel	4,439	4.10%	\$ 5,015,320,222	5.57%	6,072	4.28%	\$ 3,294,167,428	5.14%
Automotive	3,359	3.11%	2,440,202,747	2.71%	12,192	8.59%	3,240,189,647	5.06%
Food	19,856	18.35%	23,720,807,592	26.33%	26,447	18.64%	18,515,404,028	28.90%
Furniture, Home Furnishings, and Equipment	4,317	4.00%	3,012,723,323	3.34%	9,813	6.92%	5,187,977,893	8.10%
General Merchandise	16,171	14.94%	19,386,794,341	21.52%	10,046	7.08%	10,892,017,291	17.00%
Lumber, Building Materials, and Supply	6,139	5.67%	8,140,580,696	9.03%	5,222	3.68%	6,275,698,980	9.80%
Fuel	3,036	2.81%	1,539,259,500	1.71%	973	0.69%	447,937,796	0.70%
Machinery, Equipment, and Supply	163	0.15%	240,565,640	0.27%	9,323	6.57%	3,014,312,486	4.70%
Miscellaneous	39,560	36.55%	18,527,021,136	20.56%	59,094	41.65%	10,610,759,692	16.56%
Hotels, Motels, Tourist Camps, etc.	2,191	2.02%	3,066,295,896	3.40%	2,083	1.47%	2,258,433,381	3.53%
Alcoholic Beverage	330	0.30%	517,002,654	0.57%	250	0.18%	277,719,072	0.43%
Other Miscellaneous and Unidentifiable	8,663	8.00%	4,494,815,376	4.99%	353	0.25%	53,957,703	0.08%
<b>Total</b>	<b>108,224</b>	<b>100.00%</b>	<b>\$ 90,101,389,123</b>	<b>100.00%</b>	<b>141,868</b>	<b>100.00%</b>	<b>\$ 64,068,575,397</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 (2)	Amount Per Capita (3)
	General Obligation Bonds	Non- General Obligation Bonds	Other Long-term Obligations (1)	Non-General Obligation Bonds	Other Long-term Obligations (1)			
2009	\$ 1,077,520	3,549,958	373,594	-	2,883	5,003,955	1.47%	638
2008	1,001,989	3,345,259	312,890	-	4,082	4,664,220	1.40%	601
2007	900,329	3,363,275	341,574	-	2,610	4,607,788	1.45%	599
2006	716,498	3,231,917	342,805	-	5,967	4,297,187	1.43%	564
2005	657,032	2,930,344	231,131	463,357	9,709	4,291,573	1.50%	571
2004	536,386	2,797,410	346,118	447,372	12,475	4,139,761	1.56%	557
2003	589,618	2,974,706	372,522	432,563	15,917	4,385,326	1.76%	603
2002	579,297	2,377,041	335,506	418,850	17,861	3,728,555	1.55%	529
2001	622,954	2,286,636	357,217	405,460	11,395	3,683,662	1.57%	527
2000	665,859	1,993,609	317,157	393,238	-	3,369,863	1.54%	486

(1) Pension, compensated absences, other post-employment benefits, and pollution remediation obligations have been excluded.

(2) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.

(3) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2009 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]	Amount Per Capita [6]
	Governmental			Higher Education	Total		
	9(a) [2]	9(b) [3]	9(c) [4]	9(c)			
2009	\$ -	\$ 1,040,636	\$ 36,884	\$ 573,550	\$ 1,651,070	17.41%	\$ 211
2008	-	935,105	66,884	487,296	1,489,285	14.72%	192
2007	-	821,563	78,766	411,842	1,312,171	13.41%	171
2006	-	626,124	90,374	325,969	1,042,467	11.20%	137
2005	-	555,447	101,585	296,963	953,995	11.42%	127
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

[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. Fiscal Year 2009 population was estimated.

Source: Department of Accounts

## Computation of Legal Debt Limit and Margin

Last Ten Fiscal Years  
(Dollars in Thousands)

Tax Revenues Required for Computation	2009	2008	2007	2006
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	\$ 9,481,109	\$ 10,114,833	\$ 9,787,592	\$ 9,308,570
Corporate Income Tax [2]	648,033	807,852	879,575	871,554
State Sales and Use Tax [3]	3,116,831	3,302,181	3,274,286	3,029,949
Total	\$ 13,245,973	\$ 14,224,866	\$ 13,941,453	\$ 13,210,073
<b>Average Tax Revenues (Three Fiscal Years)</b>	<b>\$ 13,804,097</b>	<b>\$ 13,792,131</b>	<b>\$ 13,071,436</b>	<b>\$ 11,906,836</b>
<b>Section 9(a) [2] General Obligation Debt Limit [4]</b>				
Debt Issuance Limit				
(30% of 1.15 times annual tax revenues)	\$ 4,569,861	\$ 4,907,579	\$ 4,809,801	\$ 4,557,475
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2]				
General Obligation Bonds	\$ 4,569,861	\$ 4,907,579	\$ 4,809,801	\$ 4,557,475
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)	\$ 15,874,712	\$ 15,860,950	\$ 15,032,151	\$ 13,692,862
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	1,027,941	916,483	797,300	596,464
Transportation Facilities Refunding Bonds [5] [6]	12,696	18,622	24,263	29,660
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(b)				
General Obligation Bonds	\$ 14,834,075	\$ 14,925,845	\$ 14,210,588	\$ 13,066,738
Debt Applicable to Limit as a % Limit	6.56%	5.90%	5.47%	4.57%
Additional Section 9(b) Debt Borrowing Restriction:				
Four-year Authorization Restriction (25% of 9(b) Debt Limit)	\$ 3,968,678	\$ 3,965,238	\$ 3,758,038	\$ 3,423,215
Less 9(b) Debt authorized in past three fiscal years	-	-	-	-
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)	\$ 3,968,678	\$ 3,965,238	\$ 3,758,038	\$ 3,423,215
<b>Section 9(c) General Obligation Debt Limit</b>				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 15,874,712	\$ 15,860,950	\$ 15,032,151	\$ 13,692,862
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	6,527	7,590	8,804	9,939
Transportation Facilities Bonds [6]	30,358	59,294	69,962	80,435
Higher Educational Institution Bonds [6]	573,550	487,296	411,842	325,969
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(c)				
General Obligation Bonds	\$ 15,264,277	\$ 15,306,770	\$ 14,541,543	\$ 13,276,519
Debt Applicable to Limit as a % Limit	3.85%	3.49%	3.26%	3.04%

\*\*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,

2005	2004	2003	2002	2001	2000
\$ 8,352,366	\$ 7,430,365	\$ 6,775,746	\$ 6,710,857	\$ 7,226,407	\$ 6,829,587
616,690	434,493	343,319	290,215	363,757	565,909
3,093,725	2,582,797	2,335,958	2,429,845	2,272,954	2,201,533
\$ 12,062,781	\$ 10,447,655	\$ 9,455,023	\$ 9,430,917	\$ 9,863,118	\$ 9,597,029
\$ 10,655,153	\$ 9,777,865	\$ 9,583,019	\$ 9,630,355	\$ 9,344,574	\$ 8,648,816
\$ 4,161,659	\$ 3,604,441	\$ 3,261,983	\$ 3,253,666	\$ 3,402,776	\$ 3,310,975
-	-	-	-	-	-
\$ 4,161,659	\$ 3,604,441	\$ 3,261,983	\$ 3,253,666	\$ 3,402,776	\$ 3,310,975
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 12,253,426	\$ 11,244,545	\$ 11,020,472	\$ 11,074,908	\$ 10,746,260	\$ 9,946,139
520,655	389,219	422,399	399,005	429,725	460,405
34,792	39,672	48,719	52,695	56,585	60,300
-	-	-	-	-	-
\$ 11,697,979	\$ 10,815,654	\$ 10,549,354	\$ 10,623,208	\$ 10,259,950	\$ 9,425,434
4.53%	3.81%	4.27%	4.08%	4.53%	5.24%
\$ 3,063,356	\$ 2,811,136	\$ 2,755,118	\$ 2,768,727	\$ 2,686,565	\$ 2,486,535
1,019,529	1,019,529	1,019,529	1,019,529	-	-
\$ 2,043,827	\$ 1,791,607	\$ 1,735,589	\$ 1,749,198	\$ 2,686,565	\$ 2,486,535
\$ 12,253,426	\$ 11,244,545	\$ 11,020,472	\$ 11,074,908	\$ 10,746,260	\$ 9,946,139
11,040	6,367	7,199	9,605	10,325	11,010
90,545	101,128	111,301	117,992	126,319	134,144
296,963	316,923	349,185	376,462	345,154	380,332
-	-	-	-	-	-
\$ 11,854,878	\$ 10,820,127	\$ 10,552,787	\$ 10,570,849	\$ 10,264,462	\$ 9,420,653
3.25%	3.77%	4.24%	4.55%	4.48%	5.28%

**Schedule of Pledged Revenue Bond Coverage  
Primary Government 9(d) General Long-term Debt**

Last Ten Fiscal Years

(Dollars in Thousands except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance	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>	2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
(Series 1998A-D and 2001A)	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
	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)

(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; the association was relieved of any outstanding debt at that time and has no bonds outstanding at June 30, 2009, to report.

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## Demographic and Economic Information

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## 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>
2009	7,839	\$ 340,692,000	\$ 43,461	1,236,546	5.6 %
2008	7,758	333,594,000	43,000	1,232,436	3.4 %
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 %

- (1) Population figure for fiscal year 2009 is estimated.
- (2) Personal income amounts were revised in fiscal year 2006.
- (3) Personal income amount for fiscal year 2009 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 (1)

Current Year and Nine Years Ago

<u>Employer</u>	<u>2008 Rank (1)</u>	<u>1999 Rank</u>
U.S. Department of Defense	1	1
Wal-Mart	2	3
Fairfax County Public Schools	3	2
U. S. Postal Service	4	4
Newport News Shipbuilding	5	9
Sentara Healthcare	6	8
Food Lion	7	5
County of Fairfax	8	7
City of Virginia Beach Schools	9	10
Prince William County School Board (2)	10	-

(1) Calendar year 2008 is the most recent information available.

(2) Previous ranking not available.

(3) 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 (3)



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# Operating Information

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**State Employees by Function (1)**

Last Ten Fiscal Years

For the Fiscal Year Ended June 30,	2009	2008	2007	2006	2005
<b>General Government</b>					
Virginia Information Technologies Agency	353	377	400	453	1,068
Department of Taxation	947	1,014	927	1,031	1,026
Department of General Services	618	624	634	621	603
All other	1,918	1,960	1,915	1,778	1,775
<b>Education</b>					
Colleges and Universities	48,485	48,032	48,004	47,371	44,725
All other	3,551	3,806	3,811	3,813	3,555
<b>Transportation</b>					
Department of Transportation	8,261	8,680	8,824	9,338	9,401
Department of Motor Vehicles	1,931	2,001	2,044	2,102	2,056
All other	215	239	231	110	129
<b>Resources and Economic Development</b>					
Department of Conservation & Recreation	953	960	753	709	937
Department of Environmental Quality	800	842	882	870	862
All other	3,334	3,369	3,412	3,263	3,161
<b>Individual and Family Services</b>					
Department of Health	3,750	3,800	3,943	3,817	3,646
Mental Health Agencies	8,355	8,341	8,361	7,679	6,609
All other	5,957	5,550	5,540	6,424	7,868
<b>Administration of Justice</b>					
Department of State Police	2,671	2,668	2,700	2,604	2,607
Department of Juvenile Justice	2,314	2,457	2,295	2,312	2,222
Correctional Facilities	10,437	10,802	10,456	10,368	10,398
All other	6,285	6,441	6,454	5,382	5,036
<b>Business-type Activities</b>					
Department of Alcoholic Beverage Control	2,581	2,472	1,938	1,851	1,726
State Lottery	252	241	265	261	271
All other	74	50	48	257	257
State Total (2)	<u>114,042</u>	<u>114,726</u>	<u>113,837</u>	<u>112,414</u>	<u>109,938</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

2004	2003	2002	2001	2000
593	347	342	338	329
1,047	972	930	963	927
625	583	612	583	593
1,730	1,944	1,786	1,826	1,778
42,817	41,729	41,717	41,178	44,150
3,528	3,735	3,905	3,960	3,889
9,541	10,204	10,462	10,646	10,422
2,059	1,861	2,214	2,193	2,130
145	185	178	668	207
927	847	963	956	651
837	827	846	833	818
3,244	3,096	3,245	3,319	3,291
3,674	3,657	3,646	3,629	3,784
6,708	6,810	6,930	6,835	6,901
7,850	7,395	7,317	7,408	7,305
2,626	2,499	2,504	2,518	2,536
2,200	2,197	2,353	2,420	2,460
10,286	10,244	10,906	11,328	11,258
5,098	4,880	5,062	5,151	5,470
1,656	1,565	1,636	1,530	1,369
304	317	319	313	314
240	237	261	231	223
<u>107,735</u>	<u>106,131</u>	<u>108,134</u>	<u>108,826</u>	<u>110,805</u>

## Operating Indicators by Function

Last Two Fiscal Years

	Fiscal Year	
	2009	2008
<b>General Government</b>		
<b>Virginia Department of Taxation</b>		
Number of Returns Processed (calendar year) (1)	Not yet available	6,893,047
<b>Department of Accounts</b>		
Number of Payments Processed Via Check	1,715,164	2,597,746
Number of Payments Processed Electronically	10,059,109	8,065,038
Percentage Processed Electronically	85.4%	75.6%
<b>Education</b>		
<b>State Council of Higher Education</b>		
Number of Students Enrolled at State-supported Colleges and Universities	467,093	449,671
<b>Department of Education</b>		
Number of Public Primary and Secondary School Enrollment	1,236,546	1,232,436
<b>Resources and Economic Development</b>		
<b>Department of Environmental Quality</b>		
Number of Permits Issued	1,925	2,389
Number of Inspections Conducted	11,599	11,721
<b>Department of Housing and Community Development</b>		
Number of Housing Units Improved to Define Standards through Housing Programs	5,198	3,248
<b>Department of Agriculture &amp; Consumer Services</b>		
Number of Food Inspections Conducted	14,639	17,551
Number of Weights/Measure Equipment Inspected	57,275	84,481
<b>Department of Forestry</b>		
Number of Firefighters Trained in Forest Fire Control	1,034	1,200
<b>Individual and Family Services</b>		
<b>Comprehensive Services for At-Risk Youth and Families</b>		
Number of Youth Served	17,957	19,658
<b>Department of Medical Assistance Services</b>		
Number of Medicare Recipients (1)	Not available	1,071,681
Number of Medicaid Recipients	857,662	818,452
<b>Department of Mental Health, Mental Retardation, &amp; Substance Abuse Services (2)</b>		
Number of Patients Served	2,877	2,915
Number of Beds Used	3,533	2,891
<b>Department of Social Services</b>		
Average Number of Households Receiving Food Stamps	277,498	240,821
Number of Households Receiving Child Support Enforcement Assistance	359,487	359,977
<b>Department of Health</b>		
Number of WIC Participants	270,378	258,593
Number of Childhood Immunizations Administered	1,470,403	1,455,166

(1) Information is not yet available for fiscal year 2009.

(2) This agency is structured to provide services primarily in a community setting. Although they have a significant amount of capital and operating costs in facility operations, inpatient treatment methodology is being deemphasized over time. Their inpatient census will continue to decline in the future. Over \$250 million of community funding (state and federal dollars) each fiscal year supports 40 community services boards across the Commonwealth. These entities serve approximately 300,000 Virginians each year.

	Fiscal Year	
	2009	2008
<b>Administration of Justice</b>		
<b>Supreme Court</b>		
Number of Criminal Trials (calendar year)	731,609	741,701
Number of Civil Trials (calendar year)	1,397,850	1,366,596
Number of Traffic Hearings (calendar year)	2,050,896	2,019,753
<b>Compensation Board</b>		
Number of Constitutional Officers Receiving Financial Support	654	649
<b>Dept of State Police</b>		
Number of Traffic Citations Issued (calendar year)	647,396	652,837
Number of Arrests (calendar year)	23,996	22,475
<b>Department of Corrections</b>		
Number of Inmates	32,708	33,157
<b>Business-type Activities</b>		
<b>State Lottery Department</b>		
Number of Plays Sold - Pick 3	250,634,329	256,605,411
Number of Plays Sold - Pick 4	185,418,033	183,990,214
Number of Plays Sold - Cash 5	29,267,637	29,022,974
Number of Plays Sold - Megamillions	162,095,735	166,144,927
Number of Plays Sold - Win for Life	32,128,730	37,717,958
Number of Plays Sold - Millionaire Raffle	8,905,555	8,798,720
Number of Plays Sold - Fast Play Bingo	6,772,764	9,229,805
Number of Tickets Sold - Instant Tickets	690,382,366	694,902,491
<b>Virginia College Savings Plan</b>		
Number of Prepaid Tuition Contractholders	71,898	71,812
<b>Virginia Employment Commission</b>		
Number of Individuals Receiving Unemployment Benefits	219,646	122,144
New Unemployment Benefit Claims	474,777	279,939

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

## Capital Asset Statistics by Function

Last Two Fiscal Years

	2009	2008
<b>General Government</b>		
<b>Department of General Services</b>		
Number of Buildings	48	48
Total Square Footage of Buildings	4,718,480	4,409,026
Vehicles	13,322	13,262
<b>Education</b>		
<b>State Council of Higher Education</b>		
Campuses of In-state Institutions	254	258
Campuses of Out-of-state Institutions	87	67
<b>Transportation</b>		
<b>Department of Transportation</b>		
Bridges Maintained	12,912	12,603
State Maintained Highway Lane Miles	70,105	70,066
Vehicles	8,185	9,060
Number of Buildings (1)	3,526	3,562
Total Square Footage of Buildings	7,683,384	7,734,267
<b>Resources and Economic Development</b>		
<b>Department Conservation &amp; Recreation</b>		
State Parks	37	37
Acres of State Parks (in thousands)	69	68
Natural Area Preserves	39	38
Acres of Natural Area Preserves (in thousands)	29	28
Historic Sites	3	3
Acres of Historic Sites (in thousands)	0.3	0.3
Number of Buildings (2)	1,168	991
Total Square Footage of Buildings	1,154,487	1,223,427
<b>Department of Forestry</b>		
State Forests	19	19
Buildings	295	295
Total Square Footage of Buildings	600,602	600,602
<b>Individual and Family Services</b>		
<b>Department of Mental Health, Mental Retardation, &amp; Substance Abuse Services</b>		
Number of Buildings	435	441
Total Square Footage of Buildings	5,743,088	6,037,953
<b>Administration of Justice</b>		
<b>Department of State Police</b>		
Number of Stations	66	66
Number of Buildings	145	145
Total Square Footage of Buildings	550,736	550,736
<b>Department of Corrections</b>		
Number of Buildings	1,826	1,817
Total Square Footage of Buildings	12,160,909	11,963,087
<b>Business-type Activities</b>		
<b>Department of Alcoholic Beverage Control</b>		
Number of Buildings	24	22
Total Square Footage of Buildings	1,142,273	787,348

(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 the Treasury  
 State Council of Higher Education

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