A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007



Timothy M. Kaine Governor

Jody M. Wagner Secretary of Finance

David A. Von Moll Comptroller

Table of Contents

| Introductory Section | |
|--|-----|
| Comptroller's Letter of Transmittal to the Governor | 6 |
| Certificate of Achievement for Excellence in Financial Reporting | |
| Organization of Executive Branch of Government | |
| Organization of Government – Selected Government Officials – Executive Branch | 23 |
| Organization of the Department of Accounts | 24 |
| Financial Section | |
| Independent Auditor's Report | 26 |
| Management's Discussion and Analysis | |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Assets | 40 |
| Statement of Activities | 42 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 46 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide | |
| Statement of Net Assets | 48 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – | |
| Governmental Funds | 50 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund | |
| Balances – Governmental Funds to the Government-wide Statement of Activities | 52 |
| Statement of Net Assets – Proprietary Funds | |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds | 56 |
| Statement of Cash Flows – Proprietary Funds | 58 |
| Statement of Fiduciary Net Assets – Fiduciary Funds | 64 |
| Statement of Changes in Fiduciary Net Assets – Fiduciary Funds | |
| Statement of Net Assets – Component Units | |
| Statement of Activities – Component Units | 70 |
| Index to the Notes to the Financial Statements | 73 |
| Notes to the Financial Statements | 74 |
| Required Supplementary Information | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – | |
| General and Major Special Revenue Funds | |
| Funding Progress for Defined Benefit Pension Plans | |
| Funding Progress for Other Post-Employment Benefit Plans | |
| Claims Development Information | 164 |
| Combining and Individual Fund Statements and Schedules | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 172 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – | |
| Nonmajor Governmental Funds | 176 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – | |
| Budget and Actual – Nonmajor Special Revenue Funds | 180 |
| Nonmajor Enterprise Funds | |
| Combining Statement of Net Assets – Nonmajor Enterprise Funds | 184 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – | |
| Nonmajor Enterprise Funds | |
| Combining Statement of Cash Flows – Nonmajor Enterprise Funds | 192 |
| Internal Service Funds | |
| Combining Statement of Net Assets – Internal Service Funds | 200 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – | |
| Internal Service Funds | |
| Combining Statement of Cash Flows – Internal Service Funds | 204 |

| Combining Statement of Fiduciary Net Assets – Private Purpose Funds 210 Combining Statement of Changes in Fiduciary Net Assets – Provate Purpose Funds 212 Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds | Fiduciary Funds | |
|--|--|-----|
| Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds | | |
| Trust Funds 214 Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds 216 Combining Statement of Fiduciary Net Assets – Investment Trust Fund 218 Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Funds 219 Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Funds 220 Combining Statement of Fiduciary Net Assets – Agency Funds 220 Combining Statement of Changes in Assets and Liabilities – Agency Funds 224 Nonmajor Component Units 223 Combining Statement of Net Assets – Nonmajor Component Units 223 Combining Statement of Net Assets – Nonmajor Component Units 240 Debt Schedules 322 Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth 244 Tax-Supported Debt and Other Long-term Obligations 245 Debt and Other Long-term Obligations Not Supported by Taxes 246 Authorized and Unissued Tax-Supported Debt. 247 Tax-Supported Debt – Annual Debt Service Requirements 248 Tax-Supported Debt – Detail of Long-term Indebtedness 250 Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function 264 Net Assets by Component – Accrual Basis of Accounting 267 Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting 269 Comparison of General Fund Balance — Modified Accrual Basis of Accounting 269 Comparison of General Fund Balance — 372 Personal Income Tax Rates 272 Personal Income Tax Rates 272 Personal Income by Industry 273 Personal Income by Undustry 274 Taxable Sales by Business Class 275 Sales Tax Revenues by Business Class 276 Sales Tax Revenues by Business Class 277 Ratios of Outstanding 281 Computation of Legal Debt Limit and Margin 282 Schedule of Demographic and Economic Statistics 286 Principal Employees by Function 292 State Employees by Function 292 | | 212 |
| Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds | | |
| Employee Benefit Trust Funds. 216 Combining Statement of Fiduciary Net Assets – Investment Trust Fund. 218 Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Funds. 219 Combining Statement of Fiduciary Net Assets – Agency Funds. 220 Combining Statement of Changes in Assets and Liabilities – Agency Funds. 224 Nonmajor Component Units Combining Statement of Net Assets – Nonmajor Component Units . 232 Combining Statement of Activities – Nonmajor Component Units . 240 Debt Schedules Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth . 244 Tax-Supported Debt and Other Long-term Obligations . 245 Debt and Other Long-term Obligations Not Supported by Taxes . 246 Authorized and Unissued Tax-Supported Debt . 247 Tax-Supported Debt – Annual Debt Service Requirements . 248 Tax-Supported Debt – Detail of Long-term Indebtedness . 250 Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function . 266 Changes in Net Assets – Accrual Basis of Accounting . 266 Changes in Net Assets – Accrual Basis of Accounting . 269 Comparison of General Fund Balance . 269 Comparison of General Fund Balance . 269 Comparison of General Fund Balance . 272 Personal Income Tax Rates . 272 Personal Income Tax Rates . 272 Personal Income Tax Filers and Liability by Income Level . 273 Personal Income Tax Filers and Liability by Income Level . 273 Personal Income Tax Filers and Liability by Income Level . 273 Personal Income Tax Filers and Liability by Income Level . 273 Personal Income Tax Filers and Liability by Income Level . 273 Personal Income Tax Filers and Liability by Income Level . 273 Personal Income Tax Filers and Liability by Income Level . 274 Personal Income Tax Filers and Liability by Income Level . 275 Sales Tax Revenues by Business Class . 276 Sales Tax | | 214 |
| Combining Statement of Fiduciary Net Assets – Investment Trust Fund. Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Funds. 219 Combining Statement of Fiduciary Net Assets – Agency Funds. 220 Combining Statement of Changes in Assets – Agency Funds. 224 Nonmajor Component Units Combining Statement of Net Assets – Nonmajor Component Units Combining Statement of Net Assets – Nonmajor Component Units 232 Combining Statement of Activities – Nonmajor Component Units 244 Debt Schedules Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth 244 Tax-Supported Debt and Other Long-term Obligations 245 Debt and Other Long-term Obligations Not Supported by Taxes. 246 Authorized and Unissued Tax-Supported Debt. 247 Tax-Supported Debt – Annual Debt Service Requirements 248 Tax-Supported Debt – Detail of Long-term Indebtedness. 250 Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function 266 Changes in Net Assets – Accrual Basis of Accounting. 267 Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting. 268 Comparison of General Fund Balance. 269 Comparison of General Fund Balance. 270 Personal Income Tax Rates. 271 Personal Income Tax Rates. 272 Personal Income Tax Filers and Liability by Income Level. 273 Personal Income Tax Filers and Liability by Income Level. 274 Taxable Sales by Business Class 275 Sales Tax Revenues by Business Class 276 Sales Tax Revenues by Business Class 277 Personal Polyment Accrual Basis of Accounting 280 Schedule of Demographic and Economic Statistics 276 Sales Tax Revenues by Business Class 277 Personal Income Tax Filers and Liability by Income Level. 278 Personal Income Tax Filers and Liability by Income Level. 279 Personal Income Tax Filers and Liability by Income Level. 271 Personal Income Tax Filers and Liability by Income Level. 272 Personal Income Tax Filers and Coverage – Primary Gov | | |
| Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Funds. 219 Combining Statement of Fiduciary Net Assets – Agency Funds. 220 Combining Statement of Changes in Assets and Liabilities – Agency Funds. 224 Nonmajor Component Units 232 Combining Statement of Net Assets – Nonmajor Component Units 232 Combining Statement of Activities – Nonmajor Component Units 240 Debt Schedules 3 Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth 244 Tax-Supported Debt and Other Long-term Obligations of the Commonwealth 245 Debt and Other Long-term Obligations Not Supported by Taxes 246 Authorized and Unissued Tax-Supported Debt. 247 Tax-Supported Debt – Annual Debt Service Requirements 248 Tax-Supported Debt – Detail of Long-term Indebtedness 250 Statistical Section 7 Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function 264 Net Assets by Component – Accrual Basis of Accounting 266 Changes in Net Assets – Accrual Basis of Accounting 269 Comparison of General Fund Balance 400dified Accrual Basis of Accounting 269 Comparison of General Fund Balance 400dified Accrual Basis of Accounting 270 Personal Income Tax Rates 272 Personal Income Tax Rates 272 Personal Income Tax Rates 273 Personal Income Tax Filers and Liability by Income Level 273 Personal Income Tax Filers and Liability by Income Level 273 Personal Income Tax Filers and Liability by Income Level 273 Personal Income Tax Filers and Liability by Income Level 273 Personal Income Tax Filers and Liability by Income Level 273 Personal Income Tax Filers and Liability by Income Level 273 Personal Income Tax Filers and Liability by Income Level 274 Taxable Sales by Business Class 276 Sales Tax Revenues by Business Class 276 Sales Tax Revenues by Business Class 276 Sales Tax Revenues by Function Bonded Debt Outstanding 281 Computation of Legal Debt Limit and Margin 284 Schedule of Demographic and Economic Statistics 286 Principal Employers 284 | | |
| Combining Statement of Fiduciary Net Assets – Agency Funds | | |
| Combining Statement of Changes in Assets and Liabilities – Agency Funds | | |
| Nonmajor Component Units Combining Statement of Net Assets – Nonmajor Component Units Combining Statement of Activities – Nonmajor Component Units 240 Debt Schedules Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth 244 Tax-Supported Debt and Other Long-term Obligations Not Supported by Taxes. 245 Debt and Other Long-term Obligations Not Supported by Taxes. 246 Authorized and Unissued Tax-Supported Debt. 247 Tax-Supported Debt – Annual Debt Service Requirements. 248 Tax-Supported Debt – Detail of Long-term Indebtedness. 250 Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function. 264 Net Assets by Component – Accrual Basis of Accounting. 266 Changes in Net Assets – Accrual Basis of Accounting. 267 Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting. 269 Comparison of General Fund Balance. 269 Comparison of General Fund Balance. 270 Personal Income Tax Rates. 272 Effective Tax Rates. 272 Personal Income Tax Filers and Liability by Income Level. 273 Personal Income Tax Filers and Liability by Income Level. 274 Taxable Sales by Business Class 276 Sales Tax Revenues by Business Class 277 Ratios of Outstanding Debt by Type. 280 Ratios of Outstanding Debt by Type. 280 Ratio of General Obligation Bonded Debt Outstanding. 281 Computation of Legal Debt Limit and Margin. 282 Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt. 285 Capital Asset Statistics by Function. 290 State Employees by Function. 290 State Employees by Function. 290 Operating Indicators by Function. 291 Operating Indicators by Function. | | |
| Combining Statement of Net Assets – Nonmajor Component Units | | 224 |
| Combining Statement of Activities – Nonmajor Component Units | | |
| Debt Schedules Summary Schedule – Total Debt and Other Long-term Obligations 244 Tax-Supported Debt and Other Long-term Obligations 245 Debt and Other Long-term Obligations Not Supported by Taxes 246 Authorized and Unissued Tax-Supported Debt 247 Tax-Supported Debt – Annual Debt Service Requirements 248 Tax-Supported Debt – Detail of Long-term Indebtedness 250 Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – | | |
| Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth Tax-Supported Debt and Other Long-term Obligations. 245 Debt and Other Long-term Obligations. 246 Authorized and Unissued Tax-Supported by Taxes. 247 Tax-Supported Debt – Annual Debt Service Requirements. 248 Tax-Supported Debt – Detail of Long-term Indebtedness. 250 Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function. 264 Net Assets by Component – Accrual Basis of Accounting. 266 Changes in Net Assets – Accrual Basis of Accounting. 267 Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting. 269 Comparison of General Fund Balance. 269 Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting. 270 Personal Income Tax Rates. 272 Personal Income Tax Rates. 272 Personal Income Tax Rates. 272 Personal Income Tax Filers and Liability by Income Level. 273 Personal Income Datistry. 274 Taxable Sales by Business Class. 276 Sales Tax Revenues by Business Class. 277 Ratios of Outstanding Debt by Type. 280 Ratio of General Obligation Bonded Debt Outstanding. 281 Computation of Legal Debt Limit and Margin. 282 Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt. 284 Schedule of Demographic and Economic Statistics. 286 Capital Asset Statistics by Function. 290 State Employees by Function. | | 240 |
| Tax-Supported Debt and Other Long-term Obligations | | |
| Debt and Other Long-term Obligations Not Supported by Taxes | | |
| Authorized and Unissued Tax-Supported Debt | | |
| Tax-Supported Debt – Annual Debt Service Requirements Tax-Supported Debt – Detail of Long-term Indebtedness 250 Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function 264 Net Assets by Component – Accrual Basis of Accounting 266 Changes in Net Assets – Accrual Basis of Accounting 267 Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting 269 Comparison of General Fund Balance 269 Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting 270 Personal Income Tax Rates 272 Effective Tax Rates 272 Personal Income Tax Filers and Liability by Income Level 273 Personal Income by Industry 274 Taxable Sales by Business Class 276 Sales Tax Revenues by Business Class 276 Sales Tax Revenues by Business Class 277 Ratios of General Obligation Bonded Debt Outstanding 281 Computation of Legal Debt Limit and Margin 282 Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt 284 Schedule of Demographic and Economic Statistics 286 Principal Employers 287 Capital Asset Statistics by Function 290 Operating Indicators by Function 292 Operating Indicators by Function 293 | | |
| Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function | Authorized and Unissued Tax-Supported Debt | 247 |
| Statistical Section Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function | | |
| Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function | Tax-Supported Debt – Detail of Long-term Indebtedness | 250 |
| General Governmental Revenues by Source and Expenditures by Function | Statistical Section | |
| General Governmental Revenues by Source and Expenditures by Function | Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – | |
| Changes in Net Assets – Accrual Basis of Accounting | | 264 |
| Changes in Net Assets – Accrual Basis of Accounting | | |
| Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting | Changes in Net Assets – Accrual Basis of Accounting | 267 |
| Comparison of General Fund Balance | Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting | 269 |
| Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting | | |
| Personal Income Tax Rates | Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting | 270 |
| Effective Tax Rates272Personal Income Tax Filers and Liability by Income Level273Personal Income by Industry274Taxable Sales by Business Class276Sales Tax Revenues by Business Class278Ratios of Outstanding Debt by Type280Ratio of General Obligation Bonded Debt Outstanding281Computation of Legal Debt Limit and Margin282Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt284Schedule of Demographic and Economic Statistics286Principal Employers287Capital Asset Statistics by Function290State Employees by Function292Operating Indicators by Function294 | | |
| Personal Income by Industry | | |
| Personal Income by Industry | Personal Income Tax Filers and Liability by Income Level | 273 |
| Taxable Sales by Business Class | | |
| Sales Tax Revenues by Business Class | | |
| Ratios of Outstanding Debt by Type | | |
| Ratio of General Obligation Bonded Debt Outstanding | | |
| Computation of Legal Debt Limit and Margin | Ratio of General Obligation Bonded Debt Outstanding | 281 |
| Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt | | |
| Schedule of Demographic and Economic Statistics | | |
| Principal Employers | Schedule of Demographic and Economic Statistics | 286 |
| Capital Asset Statistics by Function | | |
| State Employees by Function | | |
| Operating Indicators by Function294 | | |
| | | |
| | | |

Illustrations

| Figure 1 | Average Daily Invested Balance By Fiscal Year | 8 |
|-----------|--|----|
| Figure 2 | Average Yield on Investments By Fiscal Year | 8 |
| Figure 3 | Net Earnings on Investments By Fiscal Year | 8 |
| Figure 4 | Total Outstanding Debt – Primary Government | 9 |
| Figure 5 | Total Outstanding Debt – Component Units | 9 |
| Figure 6 | Percentage Change of Nonfarm Payroll Employment, Fiscal Year 2003 - Fiscal Year 2007 | |
| Figure 7 | Nonfarm Payroll Employment, Fiscal Year 2003 – Fiscal Year 2007 | 11 |
| Figure 8 | Nonfarm Payroll Employment of Virginia MSAs, Fiscal Year 2003 – Fiscal Year 2007 | 12 |
| Figure 9 | Civilian Unemployment Rate, Fiscal Year 2003 – Fiscal Year 2007 | 13 |
| Figure 10 | Civilian Unemployment Rates of Virginia MSAs, Fiscal Year 2003 – Fiscal Year 2007 | 13 |
| Figure 11 | Percentage Change in Personal Income, Fiscal Year 2003 – Fiscal Year 2007 | 14 |
| Figure 12 | Virginia New Privately Owned Housing Units Authorized, Fiscal Year 2003 – Fiscal Year 2007 | 15 |
| Figure 13 | Percentage Change in House Prices, Fiscal Year 2003 – Fiscal Year 2007 | 16 |
| Figure 14 | Net Assets as of June 30, 2007 and 2006 | 32 |
| Figure 15 | Changes in Net Assets for the Fiscal Years Ended June 30, 2007 and 2006 | 33 |
| Figure 16 | Revenues by Source – Governmental Activities, Fiscal Year 2007 | 34 |
| Figure 17 | Expenses by Type – Governmental Activities, Fiscal Year 2007 | 35 |
| Figure 18 | Business-type Activities – Program Revenues and Expenses for the Fiscal Year | |
| | Ended June 30, 2007 | 36 |
| Figure 19 | Capital Assets as of June 30, 2007 (Net of Depreciation) | |
| Figure 20 | Outstanding Debt as of June 30, 2007 – General Obligation Bonds | 38 |
| | | |