

**A Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2008



**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 .....	17
Organization of Executive Branch of Government .....	20
Organization of Government – Selected Government Officials – Executive Branch .....	21
Organization of the Department of Accounts.....	22

## Financial Section

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

### Basic Financial Statements

#### Government-wide Financial Statements

Statement of Net 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 .....	162
Funding Progress for Defined Benefit Pension Plans .....	166
Schedule of Employer Contributions – Defined Pension Plans.....	168
Funding Progress for Other Post-Employment Benefit Plans .....	169
Schedule of Employer Contributions – Other Post-Employment Benefit Plans.....	171
Claims Development Information .....	172

### Combining and Individual Fund Statements and Schedules

#### Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds.....	180
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	184
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds .....	188

#### Nonmajor Enterprise Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	192
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds .....	196
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	200

#### Internal Service Funds

Combining Statement of Net Assets – Internal Service Funds.....	208
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds .....	210
Combining Statement of Cash Flows – Internal Service Funds .....	212

---

---

**Fiduciary Funds**

Combining Statement of Fiduciary Net Assets – Private Purpose Funds .....	218
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds .....	220
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds .....	222
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds .....	226
Combining Statement of Fiduciary Net Assets – Investment Trust Fund .....	230
Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Fund .....	231
Combining Statement of Fiduciary Net Assets – Agency Funds .....	232
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	237

**Nonmajor Component Units**

Combining Statement of Net Assets – Nonmajor Component Units .....	244
Combining Statement of Activities – Nonmajor Component Units .....	252

**Debt Schedules**

Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth .....	256
Tax-Supported Debt and Other Long-term Obligations .....	257
Debt and Other Long-term Obligations Not Supported by Taxes .....	258
Authorized and Unissued Tax-Supported Debt .....	259
Tax-Supported Debt – Annual Debt Service Requirements .....	260
Tax-Supported Debt – Detail of Long-term Indebtedness .....	262

**Statistical Section**

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function .....	276
Net Assets by Component – Accrual Basis of Accounting .....	278
Changes in Net Assets – Accrual Basis of Accounting .....	280
Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting .....	284
Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting .....	286
Comparison of General Fund Balance .....	286
Personal Income Tax Rates .....	288
Effective Tax Rates .....	288
Personal Income Tax Filers and Liability by Income Level .....	289
Personal Income by Industry .....	290
Taxable Sales by Business Class .....	292
Sales Tax Revenues by Business Class .....	294
Ratios of Outstanding Debt by Type .....	296
Ratio of General Obligation Bonded Debt Outstanding .....	297
Computation of Legal Debt Limit and Margin .....	298
Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt .....	300
Schedule of Demographic and Economic Statistics .....	302
Principal Employers .....	303
State Employees by Function .....	306
Operating Indicators by Function .....	308
Capital Asset Statistics by Function .....	310
Employees of the Department of Accounts .....	311

# Illustrations

Figure 1	Percentage Change of Nonfarm Payroll Employment, Fiscal Year 2004 – Fiscal Year 2008.....	8
Figure 2	Nonfarm Payroll Employment, Fiscal Year 2004 – Fiscal Year 2008.....	9
Figure 3	Nonfarm Payroll Employment of Virginia MSAs, Fiscal Year 2004 – Fiscal Year 2008 .....	10
Figure 4	Percentage Change in Personal Income, Fiscal Year 2004 – Fiscal Year 2008.....	11
Figure 5	Civilian Unemployment Rate, Fiscal Year 2004 – Fiscal Year 2008 .....	12
Figure 6	Civilian Unemployment Rates of Virginia MSAs, Fiscal Year 2004 – Fiscal Year 2008.....	13
Figure 7	Virginia New Privately Owned Housing Units Authorized, Fiscal Year 2004 – Fiscal Year 2008.....	14
Figure 8	Percentage Change in House Prices, Fiscal Year 2004 – Fiscal Year 2008 .....	15
Figure 9	Net Assets as of June 30, 2008 and 2007 .....	30
Figure 10	Changes in Net Assets for the Fiscal Years Ended June 30, 2008 and 2007.....	31
Figure 11	Revenues by Source – Governmental Activities, Fiscal Year 2008 .....	32
Figure 12	Expenses by Type – Governmental Activities, Fiscal Year 2008 .....	33
Figure 13	Business-type Activities – Program Revenues and Expenses for the Fiscal Year Ended June 30, 2008.....	34
Figure 14	Capital Assets as of June 30, 2008 (Net of Depreciation).....	35
Figure 15	Outstanding Debt as of June 30, 2008 – General Obligation Bonds.....	36