Virginia Economic Development Partnership

Annual Report

Fiscal Year 2013

Virginia Economic Development Partnership
Audited Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

- TABLE OF CONTENTS -

INTRODUCTORY SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
Richmond, Virginia

APPOINTED OFFICIALS
As of June 30, 2013

Board of Directors

John F. Malbon, Chair
Hugh D. Keogh, Vice Chair

Stephen R. Adkins
Robert G. Beck
Michael E. Bennett
Edie M. Bowles
Russell B. Clark
Mark D. Heath
David Hudgins
Chris A. Lumsden
Stuart S. Malawer
David Oliver
Julien G. Patterson
Dan M. Pleasant
A. Carole Pratt
Samuel A. Schreiber
Donald W. Seale
James E. Ukrop
Neil D. Wilkin, Jr.

The Honorable William T. Bolling, Ex-Officio
The Honorable Richard D. Brown, Ex-Officio
The Honorable Jim S. Cheng, Ex-Officio
The Honorable James D. Duffey, Ex-Officio
The Honorable Todd P. Haymore, Ex-Officio
Glenn DuBois, Ex-Officio

President and Chief Executive Officer

Martin J. Briley

FINANCIAL SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF JUNE 30, 2013

The Virginia Economic Development Partnership (Partnership) management offers the readers of the Partnership's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2013. We encourage the reader to consider this information presented here in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Partnership in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Partnership's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Partnership is improving or deteriorating.

The Statement of Activities presents information showing how the Partnership's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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. For example, expenses that are accrued for the net pension obligation in the current period are expected to be paid with future funding appropriations from the Commonwealth of Virginia.

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 Partnership, like other political subdivisions of the Commonwealth of Virginia, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial activities of the Partnership are reported in *governmental funds.*

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Partnership's near-term financing requirements.

Reconciliations between Government-Wide and Fund Financial Statements

There are two reconciliations between the government-wide and the fund financial statements. The first is found on the Balance Sheet and explains the difference between the *fund balance* on the Balance Sheet and *net position* on the Statement of Net Position. The second is found on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, which reconciles the difference between the *net change in fund balances* on the fund-based statement and the *change in net position* on the government-wide based statement. Both statements describe in sufficient detail the amounts and the reasons for those differences.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. At the close of the fiscal year ended June 30, 2013, the Partnership had a net position of ($2,498,051) compared to a net position of ($1,480,360) as of June 30, 2012. Following is an analysis of the changes in the net position of the Partnership.

Net Position

	2013	2012	Increase (Decrease)
Current and other assets	$ 3,624,998	$ 3,982,262	$ (357,264)
Capital assets, net of depreciation	777,835	654,549	123,286
Total assets	4,402,833	4,636,811	(233,978)
Non-current liabilities	6,431,660	5,541,611	890,049
Other liabilities	469,224	575,560	(106,336)
Total liabilities	6,900,884	6,117,171	783,713
Net position:			
Net investment in capital assets	777,835	654,549	123,286
Unrestricted	(3,275,886)	(2,134,909)	(1,140,977)
Total net position	$ (2,498,051)	$ (1,480,360)	$ (1,017,691)

Total assets decreased this fiscal year by $233,978 when compared to last year. The principal causes of this decrease were decreases in the Current asset, cash of $224,160 and the Current asset, operating grants receivable of $128,050, which was due from the federal government, and a net increase in Capital assets, net of depreciation of $123,286.

Total liabilities increased by $783,713. The principal causes of this increase were increases in the Non-current liabilities of the Partnership's net pension obligation and other post-employment obligation totaling $874,111, and an increase in compensated absences liability of $15,938. Other liabilities decreased by $106,336. The principal causes of this decrease were decreases in the Due to Virginia National Defense Industrial Authority of $127,466 and accrued payroll of $43,454 which was offset by increases in accounts payable and deferred revenue totaling $65,248.

Net investment in capital assets consists primarily of leasehold improvements, computers and peripheral technology equipment used by the organization to deliver program services to its clients. The

Partnership considers technology a vital asset in its efforts to market Virginia and will continue to invest in technology to ensure that its equipment and software are updated to take advantage of greater data handling capabilities and increased processing speeds.

The remaining *Net position* balance of ($3,275,886) is classified as *unrestricted*. The Partnership has recorded $5,567,682 of net pension and other post retirement obligations which are expected to be paid with future appropriations from the Commonwealth of Virginia (COV). The Partnership's Current and other assets exceed its Other liabilities by $3,155,774.

Changes in Net Position

	2013	2012	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 601,626	$ 383,962	$ 217,664
Operating grants	611,496	292,413	319,083
General revenues:			
General Fund appropriations	18,193,822	18,687,018	(493,196)
Other	92,370	32,358	60,012
Total revenues	19,499,314	19,395,751	103,563
Expenses:			
Business Expansion	2,367,158	3,254,531	(887,373)
Business Attraction	3,283,440	2,500,633	782,807
International Trade	4,637,418	3,492,862	1,156,382
Research	2,294,216	1,935,918	358,298
Communications and Promotions	2,947,714	3,053,140	(105,426)
Information Technology	1,543,900	2,222,311	(678,411)
Administration	2,788,145	3,140,901	(364,582)
Pass-through Payments	655,014	500,000	155,014
Total expenses	20,517,005	20,100,296	416,709
Increase (Decrease) in net position	(1,017,691)	(704,545)	(313,146)
Beginning net position	(1,480,360)	(775,815)	(704,545)
Ending net position	$ (2,498,051)	$ (1,480,360)	$ (1,017,691)

Net position for the Partnership decreased by $1,017,691 during the current fiscal year. The total revenues increase of $103,563 is due to an increase in sponsorship and participation fees related to International Trade missions, shows and events, as well as an increase in federal operating grants revenue, offset by a decrease in general fund appropriations provided by the COV.

Total expenses for the Partnership increased by $416,709. Increases and decreases by Division were affected by the realignment of staff to match the operational strategy of the Partnership which took place during the current fiscal year. The overall increase in expenses is primarily due to increased federal operating grant activity as well as additional expenses related to International Trade missions, shows and events, and Governor's marketing missions to California and Asia.

General Fund Budgetary Highlights

The *Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual-Cash Basis* is presented to provide information on the budget as originally prepared and the final budget on which the Partnership operated for the fiscal year. Also, the final budget is compared to the cash basis actual results by revenue source and expenditure activity. The Partnership's budget, as originally prepared, included revenue provided by the COV of approximately $17.8 million. This amount was increased by approximately $350,000 for a variety of benefit cost increases. Participation fees exceeded the final budget due to increased International Trade missions, shows and events. Actual expenditures were below the final budget by approximately $1.2 million for the fiscal year.

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 describe the nature of the Partnership's reporting entity and the relationship to the Commonwealth of Virginia as a whole; the basis on which the financial statements were prepared; and the methods used for presentation. Further, the notes provide explanations of specific accounts with significant balances.

Requests for Information

This financial report is designed to provide a general overview of the Partnership's finances for all those with an interest in the Partnership's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President and Chief Executive Officer, Virginia Economic Development Partnership, P.O. Box 798, Richmond, Virginia, 23218-0798.

Basic Financial Statements

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF NET POSITION
As of June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	$ 3,020,909
Travel advances	4,030
Operating grants receivable	154,831
Due from Component Units of the Commonwealth of Virginia	76,322
Prepaid expenses	349,642
Lease deposits (Note 5)	19,264
Capital assets, net of accumulated depreciation (Note 6)	
Leasehold improvements, furniture, and equipment	777,835
Total assets	4,402,833
Liabilities	
Accounts payable	235,560
Accrued payroll	135,593
Unearned revenue	20,100
Due to Virginia National Defense Industrial Authority	77,971
Noncurrent liabilities due within one year	
Compensated absences (Note 8)	548,103
Noncurrent liabilities due in more than one year	
Compensated absences (Note 8)	315,875
Net pension obligation (Note 9)	4,072,661
Net other post-employment obligation (Note 10)	1,495,021
Total liabilities	6,900,884
Net position	
Net investment in capital assets	777,835
Unrestricted	(3,275,886)
Total net position	$ (2,498,051)

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	
Governmental Activities				
Business Expansion	$ 2,367,158	$ 10,000	$	$ (2,357,158)
Business Attraction	3,283,440	52,203		(3,231,237)
International Trade	4,637,418	238,041	611,496	(3,787,881)
Research	2,294,216	-		(2,294,216)
Communications and Promotions	2,947,714	296,752		(2,650,962)
Information Technology	1,543,900	-		(1,543,900)
Administration	2,788,145	4,630		(2,783,515)
Pass-through Payments	655,014	-		(655,014)
Total governmental activities	20,517,005	601,626	611,496	(19,303,883)
General Revenues				
Revenue provided by the General Fund of the Commonwealth (Note 4)				18,193,822
Interest revenue				8,324
Other revenue				84,046
Total general revenues				18,286,192
Decrease in net position				(1,017,691)
Net position, July 1, 2012				(1,480,360)
Net position, June 30, 2013				$ (2,498,051)

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2013

	General Fund	Special Revenue Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	$ 3,020,909	$	$ 3,020,909
Travel advances	4,030		4,030
Due from the special revenue funds	154,831		
Operating grants receivable		154,831	154,831
Due from Component Units of the Commonwealth of Virginia	76,322		76,322
Prepaid expenses	349,642		349,642
Lease deposits (Note 5)	19,264		19,264
Total assets	$ 3,624,998	$ 154,831	$ 3,624,998
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 235,560		$ 235,560
Accrued payroll	135,593		135,593
Due to the general fund		154,831	
Unearned revenue	20,100		20,100
Due to Virginia National Defense Industrial Authority	77,971		77,971
Total liabilities	469,224	154,831	469,224
Fund Balances:			
Nonspendable	368,906	-	368,906
Committed	45,000	-	45,000
Unassigned fund balance	2,741,868	-	2,741,868
Total fund balances	3,155,774	-	3,155,774
Total liabilities and fund balances	$ 3,624,998	$ 154,831	$ 3,624,998

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances, Governmental Funds	$ 3,155,774
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	777,835
Noncurrent liabilities (compensated absences, net pension obligation and net other post employment obligation) are not due and payable with current financial resources and, therefore, are not reported in the funds.	(6,431,660)
Total net position of governmental activities	$ (2,498,051)

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue Funds	Total Governmental Funds
Revenues			
Revenue provided by the General Fund of the Commonwealth (Note 4)	$ 18,193,822	$	$ 18,193,822
Participation fees	479,703		479,703
Sponsorship fees	85,945		85,945
Operating grants		611,496	611,496
Interest revenue	8,325		8,325
Other revenue	120,023		120,023
Total revenues	18,887,818	611,496	19,499,314
Expenditures			
Business Expansion	2,289,747		2,289,747
Business Attraction	3,114,773		3,114,773
International Trade	3,767,475	611,496	4,378,971
Research	2,134,496		2,134,496
Communications and Promotions	2,891,645		2,891,645
Information Technology	1,417,441		1,417,441
Administration	2,868,156		2,868,156
Pass-through Payments	655,013		655,013
Total expenditures	19,138,746	611,496	19,750,242
Revenues over expenditures	(250,928)	-	(250,928)
Fund balance, July 1, 2012	3,406,702	-	3,406,702
Fund balance, June 30, 2013	$ 3,155,774	$ -	$ 3,155,774

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net increase (decrease) in fund balance of the govermental funds	$	(250,928)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		123,286
Some expenses reported in the statement of activities (compensated absences, net pension obligation and net other post employment obligation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(890,049)
Decrease in net position of governmental activities	$	(1,017,691)

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CASH BASIS
GENERAL AND SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		General Fund	Special Revenue Funds	Variances with Final Budget-Positive
	Original	Final	Actual	Actual	(Negative)
Revenues					
Revenue provided by the General Fund of the Commonwealth (Note 4)	$ 17,843,475	$ 18,193,822	$ 18,193,822	$ -	$ -
Participation fees	157,000	157,000	479,704		322,704
Sponsorship fees	75,000	75,000	85,410		10,410
Operating grants	873,333	873,333		739,546	(133,787)
Interest revenue	5,000	5,000	8,324		3,324
Other revenue	3,000	87,000	127,023		40,023
Total revenues	18,956,808	19,391,155	18,894,283	739,546	242,674
Expenditures					
Business Expansion	2,331,550	2,397,097	2,306,632		90,465
Business Attraction	3,677,565	3,529,860	3,031,183		498,677
International Trade	4,249,043	4,713,846	3,785,540	625,289	303,017
Research	2,207,765	2,266,750	2,178,635		88,115
Communications and Promotions	2,903,461	2,924,099	2,848,841		75,258
Information Technology	1,338,191	1,440,307	1,430,739		9,568
Administration	2,523,753	3,026,716	2,883,362		143,354
Pass-through Payments	670,000	700,000	655,013		44,987
Total expenditures	19,901,328	20,998,675	19,119,945	625,289	1,253,441
Revenues over (under) expenditures	(944,520)	(1,607,520)	(225,662)	114,257	1,496,115
Fund balance, July 1, 2012	944,520	1,607,520	3,132,012	-	1,524,492
Fund balance, June 30, 2013 (Note 3)	$ -	$ -	$ 2,906,350	$ 114,257	$ 3,020,607

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Economic Development Partnership (the Partnership) was established on July 1, 1996, by Chapter 638 of the 1995 Acts of Assembly and operates as an authority in accordance with the provisions of Chapter 22 of Title 2.2 of the Code of Virginia. The Partnership's major activities are to encourage, stimulate, and support the development and expansion of the economy of the Commonwealth.

The Partnership is a component unit of the Commonwealth of Virginia. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Partnership is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, the Partnership's financial statements are included in the financial statements of the Commonwealth as a discretely presented component unit.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The Statement of Net Position and the Statement of Activities are referred to as "government-wide" financial statements and are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Program revenues include charges for services and operating grants. Charges for services are comprised primarily of participation fees and shared mission reimbursements. Operating grants are grants awarded to the Partnership from the federal government.

The Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balances are referred to as "governmental fund" financial statements and 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Partnership considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service payments and expenditures related to compensated absences are only recorded when payment is due. The Partnership reports its activities in governmental funds. The general fund is used for its primary operating fund and accounts for all financial transactions not accounted for in the special revenue funds. The special revenue funds are used to account for federal grant revenues and related expenditures for operating grants awarded to the Partnership by the federal government.

Fund balances for the Partnership's governmental funds financial statements are classified in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Fund balances are classified as restricted, committed or assigned if the related resources reported in governmental funds have either externally or internally imposed restrictions on their usage. Nonspendable fund balances represent assets such as prepaid expenses and lease deposits that are unavailable to be spent on future operations. The unassigned fund balances represents the remainder of the fund balances funds.

C. Operating Grants Receivable

Operating grants receivable include amounts due from the federal government for two grants that are funded based on reimbursement of expenses paid by the Partnership.

D. Due from Component Units of the Commonwealth of Virginia

Due from component units of the Commonwealth of Virginia represents the balance due to the Partnership under a Memoranda of Understanding for services the Partnership provides to the component unit.

E. Prepaid Expenses

The Partnership's prepaid expenses include amounts paid for promotional activities, other services and portions of insurance premiums for which the economic benefits had not been received as of June 30, 2013.

F. Capital Assets

Capital assets are defined by the Partnership as those assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at estimated market value at the date of donation. Capital assets are comprised of leasehold improvements, furniture, and equipment. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over useful lives of five to ten years.

G. Due to Virginia National Defense Industrial Authority

The Virginia National Defense Industrial Authority (VNDIA) was an independent authority of the Commonwealth of Virginia. VNDIA's budget was appropriated to the Partnership and was held in the cash and cash equivalents accounts of the Partnership until disbursed for VNDIA's expenditures. Funding received in excess of expenditures paid created an obligation to VNDIA.

H. Unearned Revenue

Unearned revenue includes amounts received for sponsorship and participation fees at June 30, 2013, for various events to be held in the next fiscal period.

I. Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by the Partnership employees, but not taken at June 30, 2013. Compensated absences were calculated in accordance with GASB Statement No. 16, "Accounting for Compensated Absences." This statement requires the accrual of Social Security and Medicare taxes to be paid by the Partnership on all accrued compensated absences.

J. Budgets and Budgetary Accounting

The Partnership's budget was primarily established by the Appropriation Act as enacted by the General Assembly of Virginia for the fiscal year ended June 30, 2013, which is the first year of the biennium ended June 30, 2014. No payments were made to the Partnership out of the state treasury except in pursuance of appropriations made by law. Payments from the state treasury were deposited into Partnership bank accounts in accordance with the provisions of Chapter 22 of Title 2.2 of the Code of Virginia and expended for purposes as stated in those provisions. The budget is prepared on the cash basis.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent deposits not with the Treasurer of Virginia and cash in the Local Government Investment Pool (LGIP) with the Treasurer of Virginia. Cash on deposit is held in demand deposit accounts maintained for operating and payroll costs and is covered by federal depository insurance and carry no significant risk. Cash on deposit includes deposits in Japanese Yen, Euros, British Pound Sterling, and Chinese RMB which are used to pay the Partnership's international vendors and are valued in U.S. dollars at cost. As of June 30, 2013, the Partnership's holdings in these currencies were valued at $53,084. The LGIP funds are held in pooled accounts, are considered cash equivalents and, accordingly, also carry no significant risk as defined by Statement 40 of the Governmental Accounting Standards Board. VEDP deposits are secured in accordance with the provisions of the Virginia Security for Public Deposit Act § 2.2-4400 of the Code of Virginia.

3. RECONCILIATION OF BUDGETARY FUND BALANCE TO GAAP FUND BALANCE

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Cash Basis – General and Special Revenue Funds presents comparisons of the legally adopted budget prepared on the cash basis with actual data prepared on the cash basis. To enhance this comparison, actual data on the cash basis is reconciled to actual data on the GAAP basis as follows:

		Total all Funds
Fund balance, cash basis, June 30, 2013		$ 3,020,607
Add:	Prepaid expenses and other accrued receivables	504,473
Deduct:	Accrued expenses and unearned revenues	(369,306)
Fund balance, GAAP basis, June 30, 2013		$ 3,155,774

4. REVENUE PROVIDED BY THE GENERAL FUND OF THE COMMONWEALTH

The original appropriation from the General Fund of the Commonwealth has been adjusted as follows:

Original appropriation, Chapter 890		$ 17,849,466
Add:	Funding for Rolls Royce Project Management	300,000
	Central Appropriations adjustments	439,607
Deduct:	Appropriation for VNDIA	(395,251)
Revenue provided by the General Fund of the Commonwealth		$ 18,193,822

5. LEASE DEPOSITS

The Partnership maintains offices in Roanoke, Virginia, Tokyo, Japan, Munich, Germany and Shanghai, China. Each landlord requires a lease deposit as part of the lease agreement for those locations. The Roanoke lease deposit is held in U.S. dollars in a non-interest bearing account and is valued at $500. The Tokyo lease deposit is held in Japanese yen in a non-interest bearing account in the amount of 880,000 Japanese yen and was valued at $8,400 at June 30, 2013. The Munich lease deposit is held in Euros in a non-interest bearing account in the amount of 2,078 Euros and was valued at $2,684 at June 30, 2013. The Shanghai lease deposit is held in Chinese RMB in a non-interest bearing account in the amount of 48,000 Chinese RMB and was valued at $7,680 at June 30, 2013.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Capital Assets Being Depreciated	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Leasehold improvements, furniture and equipment	$ 1,710,640	$ 309,753	$ (47,046)	$ 1,973,347
Less: accumulated depreciation	1,056,091	186,467	(47,046)	1,195,512
Leasehold improvements, furniture and equipment, net of accumulated depreciation	$ 654,549	$ 123,286	$ -	$ 777,835

7. COMMITMENTS

The Partnership is committed under various operating leases and office use agreements for office facilities and equipment through December 2015. Expense under these agreements for the fiscal year ended June 30, 2013, amounted to $1,580,867. A summary of minimum future obligations under these agreements as of June 30, 2013, follows:

Year Ending June 30	Obligations
2014	$ 1,534,149
2015	1,374,302
2016	688,214
Total future minimum rental payments	$ 3,596,665

The Partnership has a commitment of $45,000 under a Memorandum of Understanding with the Virginia Department of Housing and Community Development. The purpose of this agreement is to support the implementation of the Virginia Building Collaborative Communities Programs, a grant program designed to promote regional economic collaborations in economically distressed areas.

8. COMPENSATED ABSENCES

Compensated absences activity for the fiscal year ended June 30, 2013, was as follows:

Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
$ 848,040	$ 572,057	$ 556,119	$ 863,978
		Due Within One Year	(548,103)
		Due in More Than One Year	$ 315,875

9. PENSION PLAN

The Partnership is a participating employer in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS is an agent and a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions. Salaried employees of the Partnership are members in one of two retirement plans administered by the VRS. As of June 30, 2013, the Partnership's net pension obligation was $4,072,661.

Plan Descriptions

Plan 1 – Employees with pre-July 1, 2010 service credit.

Benefits vest after five years of service. Employees may retire with an unreduced benefit at age 65 with at least 5 years of service credit or at age 50 with at least 30 years of service credit. Retirement benefits are payable monthly for life in an amount based on 1.7 percent of an employee's average final compensation (AFC) multiplied by the employee's total years of service. AFC is defined as the average of the employee's 36 highest consecutive months of creditable compensation. Reduced retirement benefits are available to employees at age 55 with at least 5 years of service credit or at age 50 with at least 10 years of service credit. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

Plan 2 – Employees hired or rehired on or after July 1, 2010 with no service credit.

Benefits vest after five years of service. Employees may retire with an unreduced benefit at normal social security retirement age with at least 5 years of service credit or when the employee's age plus service years equal 90. Retirement benefits are payable monthly for life in an amount based on 1.7 percent of an employee's average final compensation (AFC) multiplied by the employee's total years of service. AFC is defined as the average of the employee's 60 highest consecutive months of creditable compensation. Reduced retirement benefits are available to employees at age 60 with at least 5 years of service credit. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of that report may be obtained by writing to the system at P.O. Box 2500, Richmond, Virginia 23218-2500, or online at http://www.varetire.org/Publications/Index.asp?ftype=annualreport.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. In addition, the Partnership is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Partnership's contribution rate for the current year was 8.76% of creditable compensation of $7,459,946 resulting in a contribution of $653,491.

10. OTHER EMPLOYMENT AND OTHER POST-EMPLOYMENT BENEFITS

The Partnership is a participating employer in other employment and post-employment benefit plans. The Group Life Insurance plan, Virginia Sickness and Disability Program (VSDP) and the Retiree Health Insurance Credit fund are administered by the VRS. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for these plans. A copy of that report may be obtained by writing to the system at P.O. Box 2500, Richmond, Virginia 23218-2500. The Partnership is also a participating employer in the Health Benefits Program for Retirees, Survivors and Long Term Disability (LTD) Participants administered by the Commonwealth's Department of Human Resource Management (DHRM). The Commonwealth issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for this plan and a copy of that report may be obtained by writing Financial Reporting, 101 N. 14th Street, Richmond, VA 23219. As of June 30, 2013, the Partnership's combined net other post-employment benefit obligation for these plans was $1,495,021.

GROUP LIFE INSURANCE

The Group Life Insurance plan provides life insurance benefits to full time employees of the Partnership. As a part of the plan, life insurance benefits are provided to retired employees in accordance with Title 51.1 of the Code of Virginia (1950), as amended. To be eligible for the retired employee portion of the plan, the employee must have retired or terminated employment after age 50 and have had at least 10 years of service (including 5 years of continuous service) or at age 55 and have had 5 years of continuous service or retired because of disability. At retirement or termination, natural death coverage starts to reduce by 25 percent each year until coverage reaches 25 percent of its value at retirement or termination.

Post-employment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method with the same actuarial assumptions used for determining pension plan contribution rates. All contributions to the plan are made by the Partnership. The Partnership's actuarially determined rate for the current year was 1.19% of creditable compensation of $7,466,428 resulting in a contribution of $88,850. This contribution covers premiums for active employees and actual death claims for retirees. As of June 30, 2013, the Partnership had no net post-employment benefit obligation for this plan.

HEALTH INSURANCE CREDIT PROGRAM

The Retiree Health Insurance Credit fund was established on January 1, 1990, and provides benefits to employees with at least 15 years of service credit under the VRS retirement plan. The program provides a maximum credit reimbursement of $4 per month per year of service credit against the monthly health insurance premiums of eligible retirees.

The amount required to fund all credits is financed on a current disbursement basis by the employers participating in the plan and is based on contribution rates determined by the VRS actuary. The Partnership's actuarially determined rate for the current year was 1.00% of creditable compensation of $7,459,946 resulting in a contribution of $74,599. As of June 30, 2013, the Partnership's net post-employment benefit obligation for this plan was $196,949.

VIRGINIA SICKNESS AND DISABILITY PROGRAM

The VSDP was established on January 1, 1999, and covers salaried employees who work at least 20 hours per week. The VSDP provides income protection to employees for absences due to sickness or disability from the first day on the job. After a 7 calendar-day waiting period following the first incident of disability, eligible employees receive short-term benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 working days, based upon months of qualified service. If the disability continues after the short-term disability period, the employee becomes eligible to receive long-term disability benefits equal to 60 percent of compensation until they return to work, reach age 65, or death, whichever is sooner.

The Partnership is required to make contributions to the VRS for the cost of providing long-term disability under the VSDP. The Partnership's actuarially determined rate for the current year was 0.47% of creditable compensation of $7,219,081 resulting in a contribution of $33,930. As of June 30, 2013, the Partnership's net post-employment benefit obligation for this plan was $316,807.

HEALTH BENEFITS PROGRAM FOR RETIREES, SURVIVORS AND LTD PARTICIPANTS

The Health Benefits Program for Retirees, Survivors and LTD Participants was established to allow eligible employees who retire before age 65 to continue healthcare coverage under the same healthcare plans offered to active employees. This continuation is also available to LTD participants and the spouses of retired employees and LTD participants.

The Partnership's actuarially determined liability under this program arises from the implicit rate subsidies that occur when retirees, LTD participants, and surviving spouses are insured in a group with current employees. The liability is determined by computing expected future benefit pay out cost, less expected future participant contributions. All participants are required to pay the total subsidized contributions for benefits coverage. As of June 30, 2013, the Partnership's net post-employment benefit obligation for this plan was $981,265.

11. DEFERRED COMPENSATION PLAN

Employees of the Partnership may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Partnership matching up to $20 per pay period. The dollar amount of the match can change depending on the funding available in the Partnership's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were $34,155 for the fiscal year 2013.

12. RISK MANAGEMENT

The Virginia Economic Development Partnership is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Partnership is insured for these risks through commercial insurance policies. Further, the Partnership is insured for workers compensation and for loss from employee actions by an insurance policy issued by the Chubb Group and the Great Northern Insurance Company. Policy coverage for loss from employee actions is $50,000 per year with a $1,000 deductible for each loss.

The Partnership participates in the state health care insurance plan maintained by the Commonwealth of Virginia, which is administered by DHRM. The Partnership pays premiums to DHRM for health insurance coverage. Information relating to the Commonwealth's insurance plan is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 8, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
And Review Commission

Board of Directors
Virginia Economic Development Partnership

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, a major fund, and the Special Revenue Fund, a non-major fund of the **Virginia Economic Development Partnership,** a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Partnership's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Partnership's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, a major fund, and the Special Revenue Fund, a non-major fund, of the Virginia Economic Development Partnership as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2013, on our consideration of the Virginia Economic Development Partnership'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Partnership's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

LJH/clj