

# **VIRGINIA TOURISM AUTHORITY**



**Doing Business As**

**VIRGINIA TOURISM CORPORATION**

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## **Annual Financial Statements**

**For the Year Ended June 30, 2008**

*Virginia is for Lovers* 

## TABLE OF CONTENTS

	Page
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
FINANCIAL STATEMENTS	
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual – Cash Basis – General Fund	9
Notes to Financial Statements	10
INDEPENDENT AUDITOR’S REPORT	17
BOARD OF DIRECTORS	19

**VIRGINIA TOURISM AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis for the Virginia Tourism Authority's (Authority's) financial performance provides an overview of its financial activities for the year ended June 30, 2008. We believe the information presented is accurate in all material aspects and that all necessary disclosures to enable the reader to obtain an understanding of the Authority's financial activities have been included.

**GOVERNMENTAL AND ORGANIZATION STRUCTURE**

The Authority has four organizational divisions of management which are Administration and Revenue, which includes Customer Services; Marketing; Tourism Education and Development; and the Virginia Film Office. Responsibility for each of these areas is vested with managing vice-presidents to oversee Authority activities. In fiscal year 2008, the Authority implemented a reorganization to streamline its core operations and achieve efficiencies in operations to meet mandated budget reductions. The following comparative financial information was restated for fiscal year 2007 to reflect the new structure and to provide comparable results of operations with fiscal year 2008.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Government-Wide Financial Statements

The government-wide financial statements provide the reader with an overview of the Authority in a manner similar to private sector business.

The Statement of Net Assets presents information about the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the Authority's financial position is improving or declining.

The Statement of Activities presents how the Authority's net assets changed during the fiscal year. All changes in net assets are reported when 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 would result in cash flows in past or future fiscal years. Some examples are accrued interest earned but not yet collected (revenue), earned but unused employee vacation leave (expense) and advance collections for advertising and program fees (revenue).

Funds Financial Statements

The financial activities of the Authority are reported within governmental funds. A fund is a set of related accounts used to report resources segregated for specific activities or objectives. The Authority, like other political subdivisions of the Commonwealth of Virginia, uses fund accounting to ensure and demonstrate compliance with financial and legal requirements.

The governmental funds report on essentially the same functions reported as governmental activities within the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of appropriated and earned resources and balances available at the end of the prior fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

## Reconciliations between Government-Wide and Fund Financial Statements

Two reconciliations explain the differences between the government-wide financial statements and the fund financial statements. The first, found on the Balance Sheet, explains the difference between the total fund balance on the Balance Sheet and total net assets as shown on the Statement of Net Assets. The second, found on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities, explains the differences between the net change in fund balances on the fund-based statement and the change in net assets on the government-wide based statement.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as an indicator of an organization's financial position. The Authority's assets exceeded liabilities by \$2,523,632 at the close of the fiscal year ended June 30, 2008 as shown below.

	<u>Net Assets</u>		
	<u>2008</u>	<u>2007</u>	<u>Variance</u>
Assets:			
Current and other assets	\$ 3,556,644	\$ 3,797,712	\$ (241,068)
Capital assets	776,121	191,608	584,513
Total Assets	<u>4,332,765</u>	<u>3,989,320</u>	<u>343,445</u>
Liabilities:			
Other liabilities	448,186	725,471	(277,285)
Long-term liabilities	1,360,947	1,238,377	122,570
Total Liabilities	<u>1,809,133</u>	<u>1,963,848</u>	<u>(154,715)</u>
Net Assets:			
Invested in capital assets, net of related debt	776,121	191,608	584,513
Unrestricted	1,747,511	1,833,864	(86,353)
Total Net Assets	<u>\$ 2,523,632</u>	<u>\$ 2,025,472</u>	<u>\$ 498,160</u>

Total Assets increased by \$343,445 from the prior year primarily due to the acquisition of a Welcome Center. The Authority awarded matching grants in 2007 of which \$804,138 was carried into 2008 for distribution, further contributing to the increase in Total Assets. Total Liabilities decreased by \$(154,715) primarily due to a decrease in accrued liabilities offset by an increase in accrued long-term pension liability.

	<u>Changes in Net Assets</u>		
	<u>2008</u>	<u>2007</u>	<u>Variance</u>
General Revenues:			
General Fund of the Commonwealth	\$15,276,953	\$17,009,448	\$ (1,732,495)
Interest Earned	188,977	246,656	(57,679)
Program Revenues:			
Charges for Services	530,378	529,774	604
Operating Grants and Contributions	1,338,000	2,014,850	(676,850)
Capital Grants and Contributions	628,500	-	628,500
Total Revenues	<u>17,962,808</u>	<u>19,800,728</u>	<u>(1,837,920)</u>

Expenses:

Administration & Revenue	2,961,601	2,946,956	14,645
Marketing	8,834,163	10,894,128	(2,059,965)
Customer Services	2,424,539	2,086,133	338,406
Virginia Film Office	879,751	1,708,335	(828,584)
Tourism Education & Development	1,950,844	1,333,794	617,050
Pass-Through Payments	413,750	350,000	63,750
Total Expenses	17,464,648	19,319,346	(1,854,698)
Increase (decrease) in Net Assets	498,160	481,382	16,778
Net Assets, Beginning of Year	2,025,472	1,544,090	481,382
Net Assets, End of Year	\$ 2,523,632	\$ 2,025,472	\$ 498,160

Total Revenues of the Authority decreased by \$(1,837,920) in fiscal year 2008. In the prior year, the Authority received additional funding of \$1,000,000 from license plate fees to market the Commemoration of the 400<sup>th</sup> anniversary of the founding of Jamestown which ended in fiscal year 2007. Additionally, the Authority's general fund appropriation was reduced by \$867,513.

### **General Fund Budgetary Highlights**

The Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual-Cash Basis – General Fund provides information on the Authority's original budget and the final budget on which it operated during the fiscal year. The final budgeted revenues and expenditures are compared to cash-basis actual results by revenue source and major program activity. During the fiscal year, the Authority revised the spending plan to include additional resources derived from additional earned revenue sources and applied carryover funds from fiscal year 2007. Further, a budget reduction resulting from a reduced state appropriation was also applied during the fiscal year. Budgeted expenditures exceeded actual expenditures by approximately \$1.9 million primarily due to the carry-forward of reimbursable matching grant commitments and license plate fees collected in fiscal year 2007 expended in fiscal year 2008.

### **Notes To The Financial Statements**

The Notes to the Financial Statements provide additional information essential to gain a complete understanding of the financial information presented in the government-wide and fund financial statements. They describe the nature of the Authority'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. The notes also provide explanations of accounts with significant balances.

### **Request for Information**

The financial report provides an overview of the Virginia Tourism Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President, Virginia Tourism Corporation, 901 East Byrd Street, Richmond, Virginia 23218.

VIRGINIA TOURISM AUTHORITY  
STATEMENT OF NET ASSETS  
As of June 30, 2008

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	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 2,689,812
Petty cash and travel advances	1,300
Prepaid expenses (Note 1-C)	865,532
Nondepreciable capital assets (Notes 1-D and 5)	24,800
Depreciable capital assets, net (Notes 1-D and 5)	751,321
Total assets	4,332,765
<b>Liabilities</b>	
Accounts payable	145,467
Accrued payroll	92,983
Unearned revenue (Note 1-E)	209,736
Noncurrent liabilities	
Compensated absences (Note 1-F and 7)	
Due within one year	277,638
Due in more than one year	137,768
Pension liability due in more than one year (Note 8)	861,418
Net other post employment obligation (Note 9)	84,123
Total liabilities	1,809,133
<b>Net Assets</b>	
Invested in capital assets, net of related debt	776,121
Unrestricted	1,747,511
Total Net Assets	\$ 2,523,632

The accompanying notes are an integral part of the financial statements

VIRGINIA TOURISM AUTHORITY  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2008

Governmental Activities	Expenses	Program Revenues		Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Administration & Revenue	\$ 2,961,601	\$ 287	\$ 7,000		\$ (2,954,314)
Marketing	8,834,163	137,427	0		(8,696,736)
Customer Services	2,424,539	387,968	1,200,000	628,500	(208,071)
Virginia Film Office	879,751	2,996	1,000		(875,755)
Tourism Education & Development	1,950,844	1,700	130,000		(1,819,144)
Pass-through payments	413,750	-	-		(413,750)
Total governmental activities:	\$ 17,464,648	\$ 530,378	\$ 1,338,000	\$ 628,500	(14,967,770)
General revenues:					
Revenue provided by the General Fund of the Commonwealth (Note 4)					15,276,953
Interest revenue					188,977
Total general revenues:					15,465,930
Change in net assets					498,160
Net assets July 1, 2007					2,025,472
Net assets June 30, 2008					\$ 2,523,632

The accompanying notes are an integral part of the financial statement

VIRGINIA TOURISM AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
As of June 30, 2008

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	<u>General Fund</u>
Assets:	
Cash and cash equivalents (Note 2)	\$ 2,689,812
Petty cash and travel advances	1,300
Prepaid expenses (Note 1-C)	<u>865,532</u>
Total assets	<u><u>\$ 3,556,644</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	\$ 145,467
Accrued payroll	92,983
Unearned revenue (Note 1-E)	<u>209,736</u>
Total liabilities	<u>448,186</u>
Fund balances:	
Unreserved	<u>3,108,458</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in general fund activities are not financial resources and, therefore, are not reported in the general fund.	776,121
Noncurrent liabilities including compensated absences, net other post employment obligation and pension liability, are not due in the current period and therefore are not reported in the general fund.	<u>(1,360,947)</u>
Net assets of governmental activities	<u><u>\$ 2,523,632</u></u>

The accompanying notes are an integral part of the financial statements



VIRGINIA TOURISM AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2008

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	General Fund
Revenues:	
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 15,276,953
Revenue provided by the Virginia Department of Transportation	1,200,000
Participation fees	88,973
Welcome Center advertising fees	374,507
Interest revenue	188,977
Other revenue	204,898
	<hr/>
Total revenues	17,334,308
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Expenditures:	
Administration & Revenue	2,916,928
Marketing	8,784,307
Customer Services	2,379,403
Virginia Film Office	865,417
Tourism Education & Development	1,938,287
Pass-through payments	413,750
	<hr/>
Total expenditures	17,298,092
	<hr/>
Net increase in fund balance	36,217
Fund balance, July 1, 2007	3,072,241
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Fund balance, June 30, 2008 (Note 3)	<u><u>\$ 3,108,458</u></u>

The accompanying notes are an integral part of the financial statements

VIRGINIA TOURISM AUTHORITY  
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, 2008

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

Net increase in fund balances-total governmental funds	\$ 36,217
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 in the current period.	584,513
Some expenses reported in the statement of activities (increases in net pension obligation and net other post employment obligation and decrease in compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(122,570)</u>
Change in net assets of governmental activities	<u>\$ 498,160</u>

The accompanying notes are an integral part of the financial statements

VIRGINIA TOURISM AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CASH BASIS - GENERAL FUND  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue provided by the General Fund of the Commonwealth - (Note 4)	\$ 15,740,260	\$ 15,276,953	\$ 15,276,953	\$ -
Revenue provided by the Virginia Department of Transportation	1,100,000	1,200,000	1,200,000	-
Participation fees	86,570	111,820	88,973	(22,847)
Welcome center advertising fees	361,000	361,000	373,310	12,310
Interest revenue	181,000	221,000	188,977	(32,023)
Other revenue	12,900	23,490	204,965	181,475
Total revenues	17,481,730	17,194,263	17,333,178	138,915
Expenditures:				
Administration & Revenue	2,988,185	3,297,894	2,969,176	328,718
Marketing	9,238,300	9,177,787	8,939,420	238,367
Customer Services	2,403,796	2,364,971	2,512,018	(147,047)
Virginia Film Office	807,780	859,298	876,818	(17,520)
Tourism Education & Development	2,634,919	3,646,451	2,121,515	1,524,936
Pass-through payments	408,750	408,750	413,750	(5,000)
Total expenditures	18,481,730	19,755,151	17,832,697	1,922,454
Revenues over (under) expenditures	\$ (1,000,000)	\$ (2,560,888)	(499,519)	2,061,369
Fund balance, July 1, 2007	1,000,000	2,560,888	3,190,631	629,743
Fund balance, June 30, 2008 (Note 3)	\$ -	\$ -	\$ 2,691,112	\$ 2,691,112

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

VIRGINIA TOURISM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Tourism Authority was established on July 1, 1999, by an act of the General Assembly and operates as an authority in accordance with the Code of Virginia (Sections 2.2-2315 through 2.2-2326). The Authority is authorized to do business as the "Virginia Tourism Corporation" in accordance with Section 2.2-2315. The Authority's major activities are to encourage, stimulate, and promote the tourism and film production industries of the Commonwealth.

Virginia Tourism Authority is a component unit of the Commonwealth of Virginia. A separate report is prepared by 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. Accordingly, the financial statements of the Authority 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 Assets 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 1) charges for services consisting of participation fees and brochure rental fees and 2) a transfer from Department of Transportation for support of Welcome Centers.

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 Authority 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 Authority reports its activities in governmental funds. The general fund is used for its primary operating fund and accounts for all the Authority's financial resources.

C. Prepaid Expenses

The Authority's prepaid expenses included amounts paid for advertising placements, sponsorships, services and portions of insurance premiums for which the economic benefits had not been received as of June 30, 2008.

D. Capital Assets

Capital assets are stated at historical cost, or if donated, at fair market value at the time of donation. The Authority capitalizes all assets with an individual cost or value greater than \$5,000 and an estimated useful life in excess of two years. Capital assets are comprised of land, buildings, 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 assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over estimated useful lives of thirty years for buildings and three to ten years for other depreciable assets.

E. Unearned Revenue

Unearned revenue is comprised of advertising display fees that were received at June 30, 2008, but were not yet earned.

F. Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by the Authority's employees, but not taken at June 30, 2008. Compensated absences were calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting for Compensated Absences*. This statement requires the accrual of Social Security and Medicare taxes to be paid by the Authority on all accrued compensated absences.

G. Budgets and Budgetary Accounting

The Authority's budget was established primarily by the 2007 Appropriation Act as enacted by the General Assembly of Virginia for the fiscal year ended June 30, 2008, which is the second year of the biennium budget ending June 30, 2008. No payments were made to the Authority out of the state treasury except in pursuance of appropriations made by law. Payments from the state treasury were deposited into Virginia Tourism Authority bank accounts in accordance with the Code of Virginia, Section 2.2-2322 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. 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. VTA 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 Fund 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:

	<u>General Fund</u>
Fund balance, cash basis, June 30, 2008	\$ 2,691,112
Add: Prepaid expenses	865,532
Deduct: Accrued expenses and unearned revenues	<u>(448,186)</u>
Fund balance, GAAP basis, June 30, 2008	<u>\$ 3,108,458</u>

### 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 847	\$ 15,740,260
Add: Central Appropriations adjustments	404,206
Deduct: Governor's budget reductions	<u>(867,513)</u>
Revenue provided by the General Fund of the Commonwealth	<u>\$ 15,276,953</u>

### 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Nondepreciable capital assets				
Land	<u>\$ -</u>	<u>\$ 24,800</u>	<u>\$ -</u>	<u>\$ 24,800</u>
Depreciable capital assets				
Leasehold improvements, furniture and equipment	\$ 393,680	\$ 610,700	\$ -	\$ 1,004,380
Less: accumulated depreciation	<u>202,072</u>	<u>50,987</u>	<u>-</u>	<u>253,059</u>
Total depreciable capital assets, net	<u>\$ 191,608</u>	<u>\$ 559,713</u>	<u>\$ -</u>	<u>\$ 751,321</u>

6. COMMITMENTS

The Authority is committed under various operating leases for office facilities and equipment. Rental expense under operating lease agreements amounted to \$78,613 for the year. A summary of minimum future obligations under these lease agreements as of June 30, 2008 follows:

<u>Year Ending June, 30</u>	<u>Operating Lease Obligations</u>
2009	61,486
2010	14,643
2011	<u>6,426</u>
Total future minimum rental payments	<u>\$ 82,555</u>

The Authority has awarded matching grants under its Marketing Leverage Program. Grant recipients are required to submit request for reimbursement with appropriate documentation before amounts become due to the participants. As of June 30, 2008, awards totaling approximately \$878,000 remain unclaimed and represent potential future obligations of the Authority.

7. COMPENSATED ABSENCES

Compensated absences activity for the fiscal year ended June 30, 2008, was as follows:

<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
<u>\$ 447,911</u>	<u>\$ 274,007</u>	<u>\$ 306,512</u>	\$ 415,406
		Due within one year	<u>(277,638)</u>
		Due in more than one year	<u>\$ 137,768</u>

8. PENSION PLAN

The Authority is a participating employer in a defined benefit pension plan administered by the Virginia Retirement System. As of June 30, 2008, the Authority's net pension obligation was \$861,418.

Plan Description

All full-time and part-time salaried employees of the Authority participate in the defined benefit retirement 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.

All full-time and part-time salaried employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees who retire with a reduced benefit at

age 55 with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount based on 1.7 percent of their average final compensation (AFC). An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. 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.

### 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. The employer may assume this 5 percent member contribution. The Authority does pay the member contribution, which amounted to \$184,416 (5 percent of total creditable compensation of \$3,688,325). In addition, the Authority 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 Authority contribution rate for the fiscal year ended June 30, 2008, was 6.15%, which resulted in a contribution of \$226,832 for the fiscal year.

## 9. OTHER EMPLOYMENT AND OTHER POST-EMPLOYMENT BENEFITS

The Authority 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 Authority 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, 2008, the Authority's combined net other post-employment benefit obligation for these plans were \$84,123.

### GROUP LIFE INSURANCE

The Group Life Insurance plan provides life insurance benefits to full time employees of the Authority. 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 Authority.



The Authority's actuarially determined rate for the current year was 1.00% of creditable compensation resulting in a contribution of \$39,832. This contribution covers premiums for active employees and actual death claims for retirees. As of June 30, 2008, the Authority 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 Authority's actuarially determined rate for the current year was 1.20% of creditable compensation resulting in a contribution of \$44,260. As of June 30, 2008, the Authority had no net post-employment benefit obligation for this plan.

#### VIRGINIA SICKNESS AND DISABILITY PROGRAM

The Virginia Sickness and Disability Program (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 Authority is required to make contributions to the VRS for the cost of providing long-term disability under the VSDP. The Authority's actuarially determined rate for the current year was 2.00% of creditable compensation resulting in a contribution of \$74,362. As of June 30, 2008, the Authority's net post-employment benefit obligation for this plan was \$18,590.

#### 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 Authority'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, 2008, the Authority's net post-employment benefit obligation for this plan was \$65,533.

#### 10. DEFERRED COMPENSATION PLAN

Employees of The Authority may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Authority matching

up to \$20 per pay period. The dollar amount of the match can change depending on the funding available in The Authority'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 \$20,270 for the fiscal year 2008.

#### 11. RISK MANAGEMENT

The Authority is exposed to various risk 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 Authority is insured for these risks through commercial insurance policies. Further, the Authority is insured for workers compensation and from loss from employee actions by an insurance policy issued by the Chubb Group and the Federal Insurance Company. Policy coverage from loss from employee actions is \$50,000 per year with a \$1,000 deductible.

The Authority participates in the state health care insurance plan maintained by the Commonwealth of Virginia, which is administered by the Department of Human Resource Management (DHRM). The Authority 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.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

April 20, 2009

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable M. Kirkland Cox  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Directors  
Virginia Tourism Authority

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the General Fund, a major fund, of the **Virginia Tourism Authority**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund, a major fund, of the Virginia Tourism Authority as of June 30, 2008, and the respective changes in its financial position, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 3 is not a required part of the basic financial statements, but is supplementary information required by the 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.

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2009, on our consideration of the Virginia Tourism Authority'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 and should be considered in assessing the results of our audit.



AUDITOR OF PUBLIC ACCOUNTS

SAH:clj

VIRGINIA TOURISM AUTHORITY  
Richmond, Virginia

Alisa Bailey, Executive Director

Roy Knox, Vice President of Administration and Revenue

TOURISM AUTHORITY BOARD  
As of June 30, 2008

Cal Simmons, Chair

L. Preston Bryant, Jr.*	Susan K. Payne
Chris Hairston Franks	James B. Ricketts
Patrick O. Gottschalk*	Tareq Salahi
William Shawn Hash	Brett L. Schoenfield
Jon C. King	Phyllis Terrell
Donna Mason	Thomas B. Valentine
Bob McConnell	Jody Wagner*

\*Ex-officio