

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

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INTRODUCTORY SECTION

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Certificate of Achievement for Excellence in Financial Reporting
Organization of Executive Branch of Government
Organization of Government – Selected Government Officials – Executive Branch
Organization of the Department of Accounts



COMMONWEALTH OF VIRGINIA

DAVID A. VON MOLL, CPA
COMPTROLLER

Office of the Comptroller

P. O. BOX 1971
RICHMOND, VA 23218-1971

December 12, 2008

The Honorable Timothy M. Kaine
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Kaine:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008, in accordance with Section 2.2-813 of the *Code of Virginia*. This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2008 CAFR is presented in three sections. The Introductory Section includes this transmittal letter and organization charts for state government. The Financial Section includes the State Auditor's Report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

The Commonwealth's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Commonwealth's established internal controls fulfill these requirements.

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2008. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. In addition to the financial analysis addressing the Commonwealth's governmental and business-type activities, the MD&A focuses on the Commonwealth's major funds: the General Fund, the Commonwealth Transportation Special Revenue Fund, the Federal Trust Special Revenue Fund, the Literary Special Revenue Fund, the State Lottery Fund, the Virginia College Savings Plan Fund, and the Unemployment Compensation Fund. The Commonwealth's MD&A can be found on page 27 immediately following the independent auditor's report.

PROFILE OF THE GOVERNMENT

REPORTING ENTITY

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

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

The Commonwealth and its component units provide a wide range of services and funding to its citizens, including elementary, secondary and higher education; health and human services; economic development; environment and natural resources; public safety, corrections, and regulation; transportation; agriculture; and general government services. The financial activities associated with these services are reflected in both summary and detail throughout the CAFR.

BUDGETARY CONTROL

In addition to the internal controls previously discussed, the Commonwealth maintains budgetary controls to ensure compliance with the legal provisions of the Commonwealth's Appropriation Act, which reflects the General Assembly's approval of a biennial budget. The financial transaction process begins with development and approval of the budget, after which budgetary control is maintained through a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of agency budgets.

The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly on a biennial basis at the program level. The Commonwealth monitors spending activity to ensure the expenditures do not exceed the appropriated amounts at the agency level. The State Comptroller maintains a central general ledger that records total appropriations and related expenditures for all agencies and institutions included in the approved budget. Systemic controls are in place to prevent disbursements that exceed authorized appropriations. Additional information regarding the Commonwealth's budgetary process can be found in Note 1.E. to the Financial Statements.

BUDGETARY ISSUES

As discussed further in Note 37, the recent deterioration of the credit market has caused some large valuation declines in the Commonwealth's investment portfolio. In addition, a slowing economy contributed to General Fund revenue collections being lower than anticipated. The lower revenue collections have required both a revenue re-estimate and fiscal year 2009 budget reductions. It is anticipated that additional budget reductions will be required during fiscal year 2010. Refer to page 34 for additional information.

ECONOMIC REVIEW

LOCAL ECONOMY

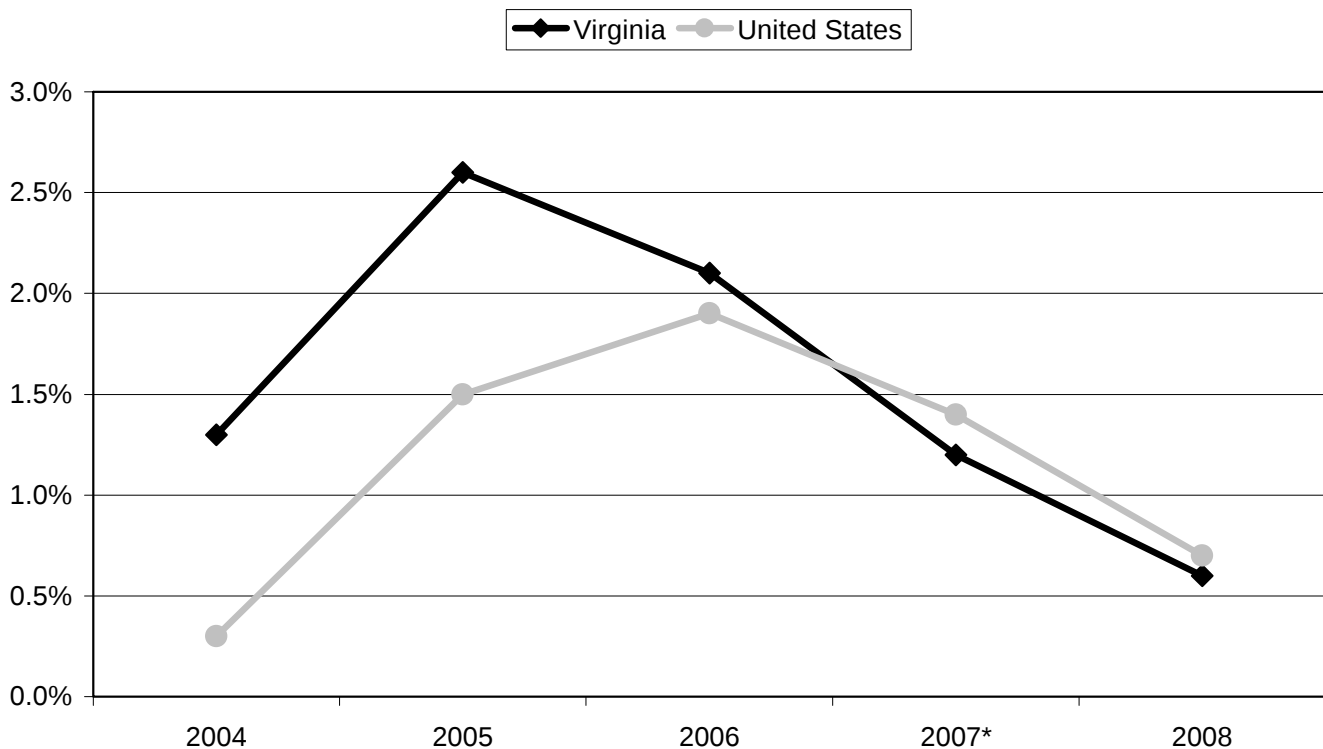
Introduction

An economist at the University of Virginia's Weldon Cooper Center for Public Service prepared this section on recent developments in the Virginia economy. In fiscal year 2008, the Commonwealth's economy managed some expansion, but at a slower pace than in the last few years. The analysis in this section covers the last five fiscal years in order to provide perspective on developments in fiscal year 2008.

Employment

Virginia's nonfarm payroll employment increased by 23,500 or 0.6 percent in fiscal year 2008. As shown in **Figure 1**, the percentage gain was less than in the four preceding years. The Commonwealth's growth rate in 2008 was slightly below the national rate, as it also was in 2007. In earlier years, Virginia consistently outperformed the nation. One must go back to fiscal year 1996 to find a previous case when the national growth rate was higher.

Figure 1
Percentage Change of Nonfarm Payroll Employment
Fiscal Year 2004 – Fiscal Year 2008



Source: U. S. Bureau of Labor Statistics

* BLS has changed the 2007 estimates of employment based on new benchmark data.

Figure 2 shows changes in employment by industry based on the North American Industry Classification System (NAICS). Major industries with strong relative gains were education and health services and state government. Important industries with large relative declines were construction, information services, financial activities, and manufacturing. **Figure 2** also shows fiscal year 2008 industry growth rates for the nation. As previously noted, Virginia's overall growth rate was a little below the national rate. Most industries performed similarly in Virginia as they did nationally. A major exception was the Commonwealth's natural resources and mining industry, which declined while the national industry grew by 5.0 percent. This anomaly is explained by production problems of a major Virginia coal firm and the differing industry composition in Virginia where underground coal mining is the major component, whereas for the nation, surface coal mining, oil, and gas are important subsectors.

Figure 2
Nonfarm Payroll Employment
Fiscal Year 2004 – Fiscal Year 2008

NAICS Industry	Virginia Employment (000)					Change, Fiscal Year 2007 – Fiscal Year 2008		
	2004	2005	2006*	2007*	2008	Virginia		U. S.
						Number (000)	Percent	Percent
Natural resources and mining	10.2	10.4	11.1	11.3	10.8	(0.5)	(4.4)	5.0
Construction	224.3	237.3	248.9	244.6	238.1	(6.5)	(2.7)	(3.3)
Manufacturing	299.4	298.0	292.7	283.1	275.5	(7.6)	(2.7)	(2.1)
Wholesale trade	113.8	115.7	118.5	120.6	121.4	0.8	0.7	1.5
Retail trade	409.2	414.8	422.3	425.4	425.8	0.4	0.1	0.1
Transportation and utilities	118.4	121.1	120.5	119.5	120.4	0.9	0.8	0.6
Information Services	100.7	94.9	92.0	91.2	90.1	(1.1)	(1.2)	(0.5)
Financial activities	187.6	190.8	194.0	195.1	192.9	(2.2)	(1.1)	(1.0)
Professional and business services	561.3	593.6	618.6	637.2	647.9	10.7	1.7	1.3
Education and health services	374.9	387.4	399.6	411.2	422.2	11.0	2.7	3.0
Leisure and hospitality	314.3	325.1	334.4	342.3	347.6	5.3	1.5	2.5
Other services	177.0	180.5	181.1	183.5	186.1	2.6	1.4	0.8
Federal civilian government	149.8	151.7	152.7	156.4	156.3	(0.1)	(0.1)	(0.1)
State government	143.9	147.6	151.3	153.8	157.8	4.0	2.6	0.9
Local government	349.9	357.4	364.6	370.1	376.1	6.0	1.6	1.3
Total Nonfarm Employment	3,534.7	3,626.3	3,702.3	3,745.3	3,769.0	23.7	0.6	0.7

Source: U. S. Bureau of Labor Statistics

Note: Details may not add to totals due to rounding.

* BLS has changed the 2006 and 2007 estimates of employment based on new benchmark data.

There was job growth in fiscal year 2008 in all but two of Virginia's metropolitan statistical areas (MSAs). Employment was flat in Harrisonburg and it declined in Blacksburg-Christiansburg-Radford because of strikes and subsequent layoffs in motor vehicle manufacturing (**Figure 3**). In the other metropolitan areas, gains ranged from 0.3 percent in Roanoke to 1.6 percent in Charlottesville and in Lynchburg. Employment in Northern Virginia, the Commonwealth's largest labor pool, grew by only 0.9 percent. Nonetheless, because of its size, Northern Virginia accounted for close to half of the Commonwealth's net increase of 23,500 jobs in fiscal year 2008. The MSA grouping in **Figure 3** does not include Danville, which was dropped from the Bureau of Labor Statistics current employment statistics program because of a budget cut.

Figure 3
Nonfarm Payroll Employment of Virginia MSAs
Fiscal Year 2004 – Fiscal Year 2008

	Percent Change				
	2004*	2005*	2006*	2007*	2008
State	1.3	2.6	2.1	1.2	0.6
Metropolitan Area**	2.0	2.7	2.3	1.5	0.8
Blacksburg-Christiansburg-Radford	1.6	0.6	1.0	(0.6)	(1.7)
Charlottesville	0.9	3.1	3.7	4.0	1.6
Harrisonburg	3.1	0.2	2.3	3.7	-
Lynchburg	0.9	2.0	2.2	1.5	1.6
Northern Virginia	3.5	4.1	3.4	1.6	0.9
Richmond	1.7	2.5	1.5	1.8	0.8
Roanoke	(2.2)	0.6	2.3	1.2	0.3
Virginia Beach-Norfolk-Newport News VA-NC***	1.0	1.7	1.2	0.9	1.0
Winchester VA-WV***	3.3	2.2	3.7	3.0	1.2

Source: U. S. Bureau of Labor Statistics

* BLS has changed prior estimates of employment based on new benchmark data.

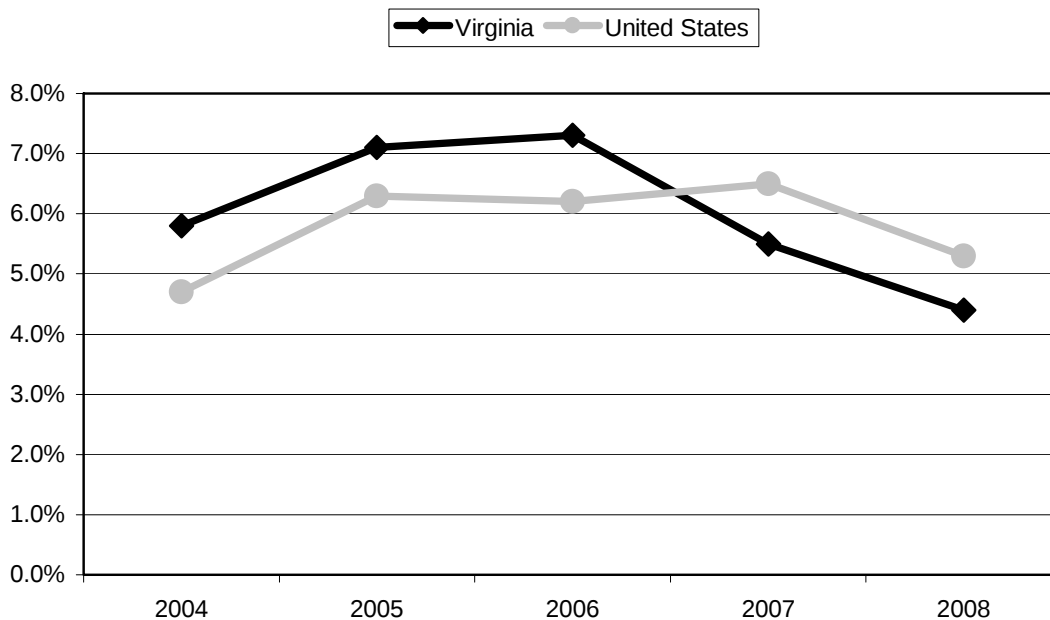
** Excludes Kingsport-Bristol MSA, most of which is located in Tennessee, and the Danville MSA for which BLS no longer publishes data.

*** Includes non-Virginia portion.

Personal Income

Developments in personal income have a strong bearing on state government revenues since collections from the individual income tax and other taxes are related directly or closely to income. In fiscal year 2008, Virginia personal income in current dollars grew by 4.4 percent. As shown in **Figure 4**, this was below the national rate for the second consecutive year. Prior to then, the Commonwealth's rate exceeded the national rate.

Figure 4
Percentage Change in Personal Income
Fiscal Year 2004 – Fiscal Year 2008



Source: U. S. Bureau of Economic Analysis Regional Economic Information System

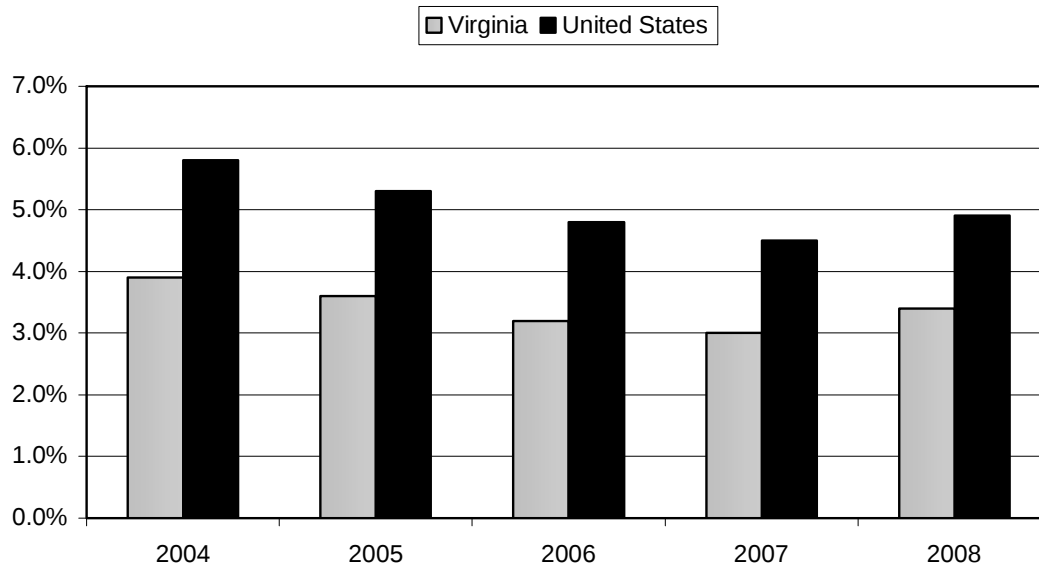
Note: BEA revised quarterly and annual state personal income beginning with the first quarter of 2005.

There are three major components of personal income. The first and largest is net earnings by place of residence, which is the sum of wages and salaries and proprietors' income. In fiscal year 2008, Virginia's net earnings rose by 4.1 percent, close to the national average of 4.3 percent. Dividends, interest, and rent increased by only 3.5 percent versus 6.8 percent nationally. Income transfers, which are mainly Social Security benefits, grew by 8.0 percent, about the same as the U. S. average of 7.8 percent.

Unemployment

In fiscal year 2008, only 140,671 Virginians, or 3.4 percent, of the 4,089,012 persons in the civilian labor force were unemployed. In relation to the national average, which was 4.9 percent, Virginia had an enviably low rate and this was true for the five years shown in **Figure 5**. However, the Commonwealth's average unemployment rate was higher in fiscal year 2008 than in previous years because the rate began to rise during the second half of the year.

Figure 5
Civilian Unemployment Rate
Fiscal Year 2004 – Fiscal Year 2008



Source: U. S. Bureau of Labor Statistics and Virginia Employment Commission

As shown in **Figure 6**, all of the metropolitan areas except Danville had higher unemployment rates in fiscal year 2008 than in the preceding year. Rates ranged from 2.6 percent in the Northern Virginia MSA to 6.6 percent in the Danville MSA, which continued to be hit hard by employment declines in textile manufacturing.

Figure 6
Civilian Unemployment Rates of Virginia MSAs
Fiscal Year 2004 – Fiscal Year 2008

MSA	2004	2005	2006*	2007*	2008
State	3.9%	3.6%	3.2%	3.0%	3.4%
Blacksburg-Christiansburg-Radford	4.3%	3.9%	3.5%	3.7%	4.2%
Charlottesville	3.4%	3.0%	2.7%	2.4%	2.8%
Danville	7.5%	7.6%	7.1%	6.7%	6.6%
Harrisonburg	2.9%	3.1%	2.8%	2.5%	3.0%
Kingsport-Bristol TN-VA**	5.5%	4.9%	4.6%	4.4%	5.0%
Lynchburg	4.6%	4.0%	3.5%	3.3%	3.7%
Northern Virginia**	2.9%	2.6%	2.3%	2.2%	2.6%
Richmond	4.0%	3.8%	3.4%	3.1%	3.6%
Roanoke	3.9%	3.6%	3.1%	3.0%	3.5%
Va. Beach-Norfolk-Newport News, VA-NC**	4.2%	4.2%	3.6%	3.2%	3.7%
Winchester, VA-WV**	3.2%	2.9%	2.5%	2.9%	3.5%

Source: U. S. Bureau of Labor Statistics and Virginia Employment Commission

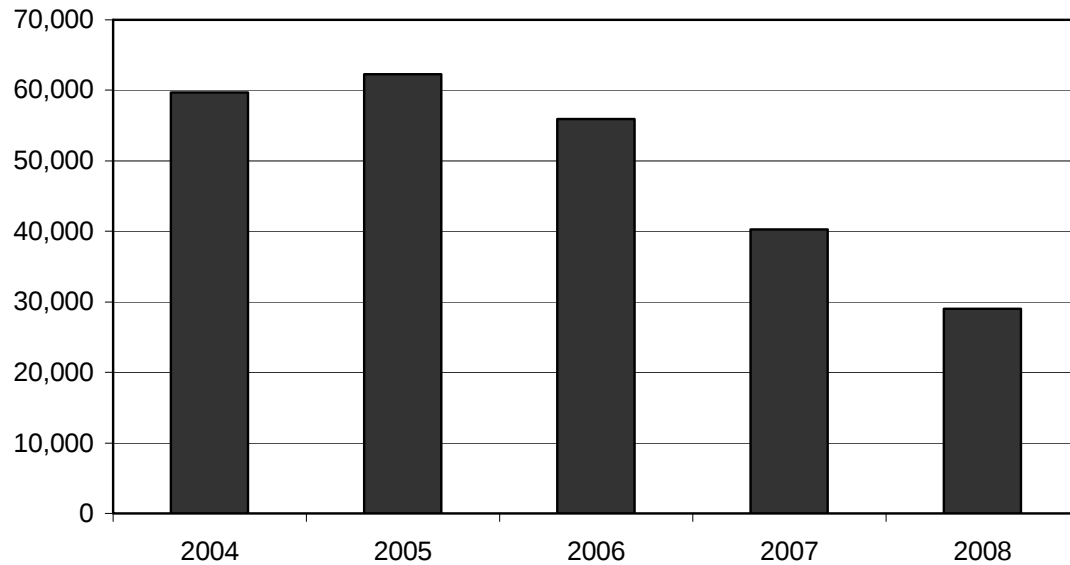
* BLS and VEC revised 2006 and 2007 unemployment estimates to conform to new benchmark data.

** Excludes non-Virginia portion.

Housing Market

The housing slump, which began in fiscal year 2006, deepened in fiscal year 2008 as shown in **Figure 7**. Permits for new residential units dropped by 27.9 percent to reach a level of 29,016 after declining by the same percentage in the previous year. Virginia's relative decline in fiscal year 2008 was not quite as severe as for the nation as a whole, which experienced a 32.9 percent drop.

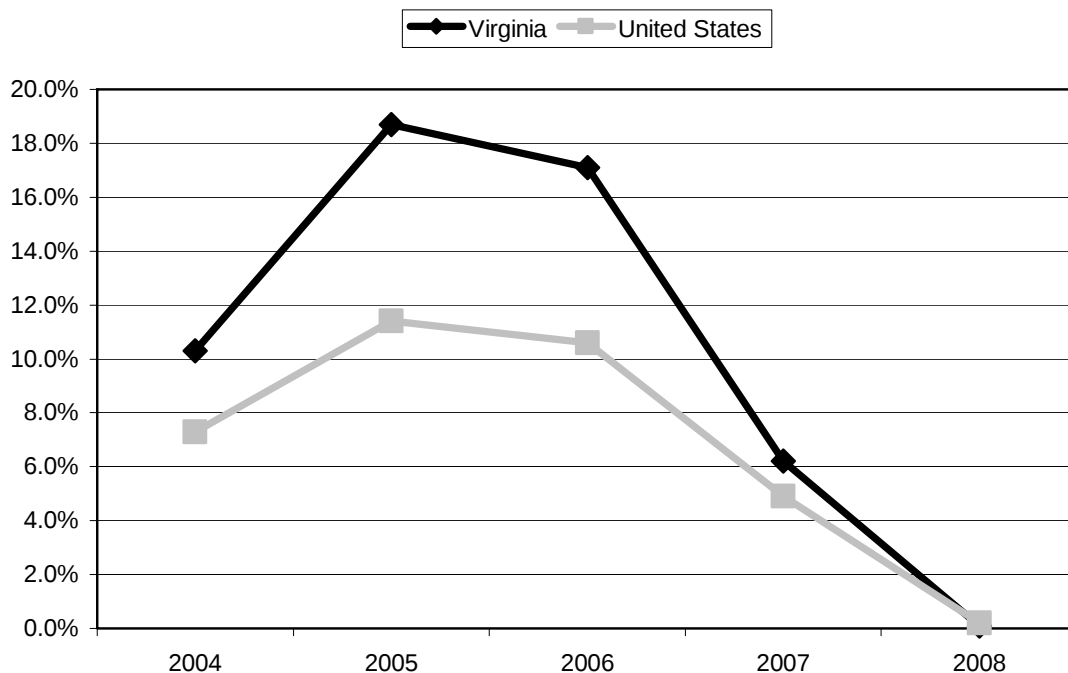
Figure 7
Virginia New Privately Owned Housing Units Authorized
Fiscal Year 2004 – Fiscal Year 2008



Source: U. S. Bureau of the Census

Another indicator of the severity of the housing slump is the series on house prices published by the Office of Federal Housing Enterprise Oversight (OFHEO). As shown in **Figure 8**, fiscal year price appreciation of existing houses slowed to 0.1 percent in fiscal year 2008 after 6.2 percent growth in the preceding year and double-digit growth in the three earlier years. Virginia's experience in 2008 mirrored that of the nation, but the Commonwealth's rise in house values was greater in earlier years. The Commonwealth's index was greatly affected by developments in Northern Virginia, which for many years was one of the hottest major metropolitan area real estate markets. The OFHEO index, which was used for this report because it is the only series available for states, may understate price developments. The S&P/Case-Shiller home-price index, another popular indicator, has recently shown greater deterioration in house prices. However, there are major differences in the two indexes. Unlike OFHEO's index, the Case-Shiller index includes so-called jumbo loans over \$417,000 that are not in the OFHEO database, and exotic nonconforming and subprime loans. On the other hand, OFHEO covers the entire nation while Case-Shiller is limited to 100 major metropolitan areas that account for about 70 percent of the housing loans in the country.

Figure 8
Percentage Change in House Prices
Fiscal Year 2004 – Fiscal Year 2008



Source: Office of Federal Housing Enterprise Oversight

Note: OFHEO has revised historical data to incorporate newly available information.

Conclusion

In summary, Virginia's economy weakened in fiscal year 2008 as it reflected the general slowdown in the national economy. This condition stemmed from the bursting of the housing bubble that began in 2006 and the resulting credit problems that affected many sectors.

MAJOR INITIATIVES

The CAFR has received unqualified audit opinions from fiscal year 1986 through fiscal year 2007. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unqualified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

ENTERPRISE APPLICATION PROJECT

The Commonwealth has initiated the planning process to replace its aging administrative systems with an integrated enterprise application. The first phase targets the budget development system, and the Commonwealth is currently in the planning stage. The Virginia Department of Transportation has taken the lead in developing a general ledger replacement that will serve as the basis for an enterprise replacement of the Commonwealth's current general ledger system. The State Comptroller's Office has representation on the Steering Committee and has assigned full-time resources to this project.

AGENCY RISK MANAGEMENT AND INTERNAL CONTROL STANDARDS

In November 2006, the State Comptroller issued standards for establishing and assessing agency internal controls in order to more effectively manage risk and maintain accountability. Each year, agency heads certify to the State Comptroller and to the Auditor of Public Accounts that they have established, maintained and evaluated their agency's internal control framework. These standards provide the basis against which these certifications will be measured. These standards incorporate best practices in internal control management and are an integral component of the Commonwealth's financial management goals. To further strengthen the Commonwealth's financial accounting internal controls, the State Comptroller's Office has established the Accounting Internal Control and Compliance Oversight Unit. This Unit's primary purpose is to provide assistance to agencies to increase and improve internal controls over accounting and financial reporting.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last 22 consecutive years (fiscal years 1986-2007). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

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

Respectfully submitted,

David A. Von Moll
Comptroller of the Commonwealth of Virginia

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

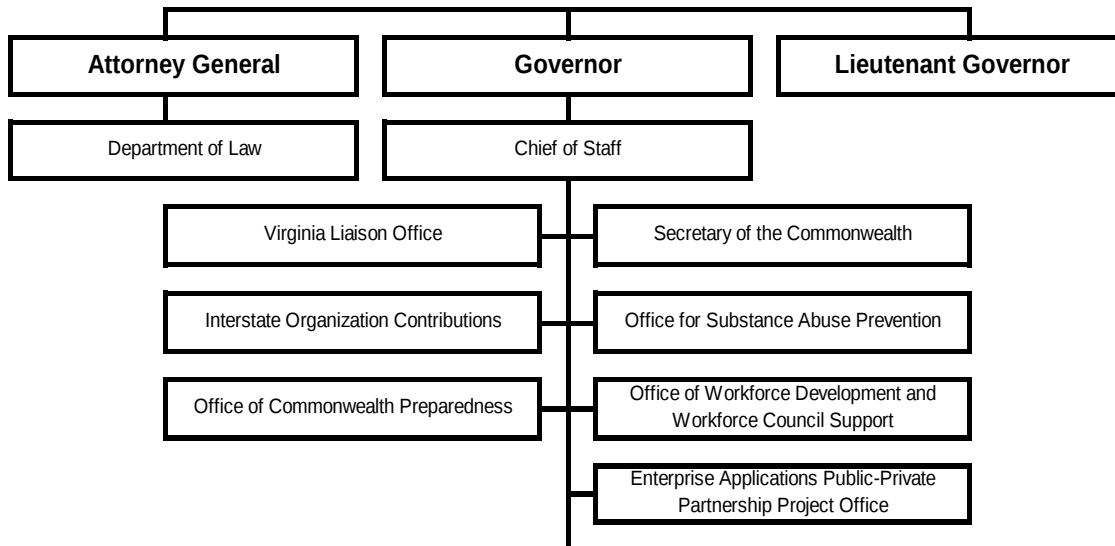
Executive Director



Organization Charts

Organization of Executive Branch of Government

As of June 30, 2008



Secretary of Administration

Compensation Board
Council on Human Rights
Department of Charitable Gaming
Department of Employment Dispute Resolution
Department of General Services
Department of Human Resource Management
Department of Minority Business Enterprise
State Board of Elections

Secretary of Agriculture and Forestry

Department of Agriculture and Consumer Services
Department of Forestry
Virginia Agricultural Council

Secretary of Commerce and Trade

Board of Accountancy
Department of Business Assistance
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals and Energy
Department of Professional and Occupational Regulation
Virginia Economic Development Partnership
Virginia Employment Commission
Virginia Racing Commission
Virginia Tourism Authority

Secretary of Natural Resources

Chippokes Plantation Farm Foundation
Department of Conservation and Recreation
Department of Environmental Quality
Department of Game and Inland Fisheries
Department of Historic Resources
Marine Resources Commission
Virginia Museum of Natural History

Secretary of Education

Christopher Newport University
The College of William and Mary
Department of Education
Frontier Culture Museum of Virginia
George Mason University
Gunston Hall
Higher Education Research Initiative
Institute for Advanced Learning and Research
James Madison University
Jamestown-Yorktown Foundation
The Library of Virginia
Longwood University
New College Institute
Norfolk State University
Old Dominion University
Radford University
Roanoke Higher Education Authority
The Science Museum of Virginia
Southern Virginia Higher Education Center
Southwest Virginia Higher Education Center
State Council of Higher Education for Virginia
University of Mary Washington
University of Virginia
Virginia College Building Authority
Virginia Commission for the Arts
Virginia Commonwealth University
Virginia Community College System
Virginia Military Institute
Virginia Museum of Fine Arts
Virginia Polytechnic Institute and State University
Virginia School for the Deaf and Blind at Staunton
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton
Virginia State University

Secretary of Finance

Department of Accounts
Department of Planning and Budget
Department of Taxation
Department of the Treasury
Treasury Board

Secretary of Health and Human Resources

Department for the Aging
Department for the Blind and Vision Impaired
Department for the Deaf and Hard-of-Hearing
Department of Health
Department of Health Professions
Department of Medical Assistance Services
Department of Mental Health, Mental Retardation and Substance Abuse Services
Department of Rehabilitative Services
Department of Social Services
Office of Comprehensive Services for At-Risk Youth and Families
Office of the Inspector General
Virginia Board for People with Disabilities

Secretary of Public Safety

Commonwealth's Attorneys' Services Council
Department of Alcoholic Beverage Control
Department of Correctional Education
Department of Corrections
Department of Criminal Justice Services
Department of Emergency Management
Department of Fire Programs
Department of Forensic Science
Department of Juvenile Justice
Department of Military Affairs
Department of State Police
Department of Veterans' Services
Virginia Parole Board

Secretary of Technology

Innovative Technology Authority
Virginia Information Technologies Agency

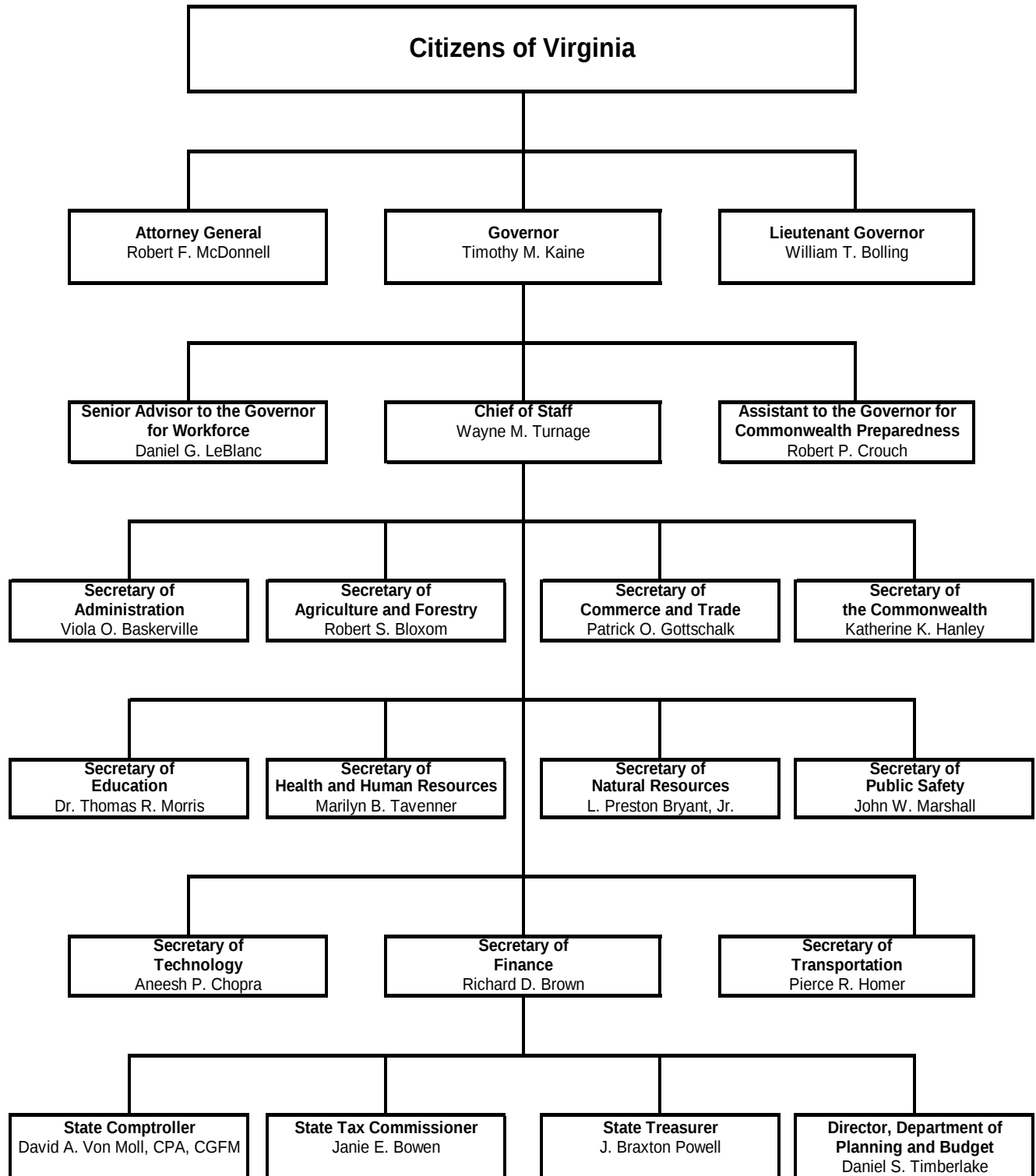
Secretary of Transportation

Board of Towing and Recovery Operations
Department of Aviation
Department of Motor Vehicles
Department of Rail and Public Transportation
Department of Transportation
Motor Vehicle Dealer Board
Virginia Port Authority

Organization of Government

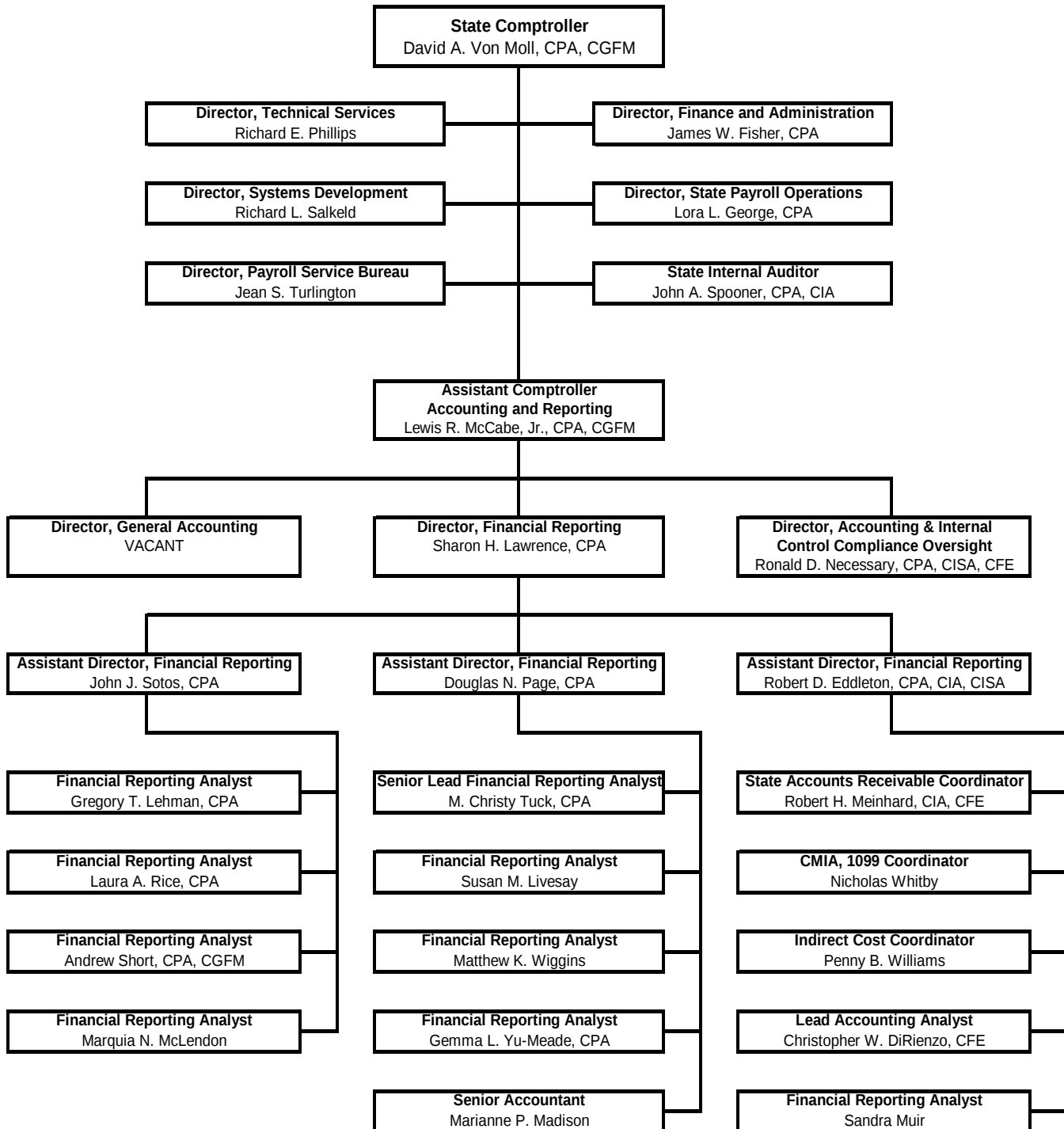
Selected Government Officials - Executive Branch

As of December 15, 2008



Organization of the Department of Accounts

As of December 15, 2008



FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Combining and Individual Fund Statements and Schedules



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 12, 2008

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

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2008, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain components units of the Commonwealth discussed in Note 1.B., which represent 32.23 percent, 19.58 percent, and 8.35 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain component units discussed in Note 1.B. is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Hampton Roads Sanitation District Commission, Virginia Museum of Fine Arts Foundation, Library of Virginia Foundation, and Danville Science Center, Inc. which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedule, funding progress for defined benefit pension plans, schedule of employer contributions for defined benefit pension plans, funding progress for other post-employment benefit plans, schedule of employer contributions for other post-employment benefit plans, and claims development information on pages 27 through 36 and 162 through 176 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, our report dated December 12, 2008, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Commonwealth of Virginia Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

WALTER J. KUCHARSKI
AUDITOR OF PUBLIC ACCOUNTS



Management's Discussion and Analysis

(Unaudited)

The following is a discussion and analysis of the Commonwealth of Virginia's (the Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2008. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, including the notes to the financial statements, which are located after this analysis.

Financial Highlights

Government-wide Highlights

The primary government's assets exceeded its liabilities at June 30, 2008, by \$18.3 billion. Net assets of governmental activities increased by \$739.7 million and net assets of business-type activities decreased by \$213.1 million. Component units reported an increase in net assets of \$675.6 million from June 30, 2007.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$4.8 billion, a decrease of \$738.4 million in comparison with the prior year. Of this total fund balance, \$3.3 billion represents unreserved fund balance and the remaining \$1.5 billion represents amounts reserved for specific purposes, such as the Revenue Stabilization Fund. The enterprise funds reported net assets at June 30, 2008, of \$902.2 million, a decrease of \$211.0 million during the year.

While the Commonwealth's combined governmental fund increased during fiscal year 2008, the General Fund actual revenues marginally increased \$6.6 million over final budgeted revenues. This small increase coupled with wider economic concerns have contributed to a projected budget shortfall for the fiscal year 2008-2010 biennial budget. See page 34 for additional information.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to \$26.9 billion, an increase of \$2.6 billion or 10.7 percent. During fiscal year 2008, the Commonwealth issued new debt in the amount of \$503.3 million for the primary government and \$3.4 billion for the component units. More detailed information regarding these activities begins on page 131.

Overview of the Financial Statements

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

Government-wide Statements

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

The Statement of Net Assets (pages 38 and 39) presents information on all of the Commonwealth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Commonwealth is improving or deteriorating.

The Statement of Activities (pages 40 through 42) presents information showing how the Commonwealth's net assets changed during fiscal year 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Assets and Statement of Activities report three separate activities. These activities are described as follows:

Governmental Activities – account for functions of the Commonwealth that are primarily supported by taxes and intergovernmental revenues. The majority of the Commonwealth's basic services, such as education, individual and family services, transportation, resources and economic development, administration of justice, and general government, fall within this category.

Business-type Activities – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the Commonwealth include the State Lottery, Virginia College Savings Plan, and Unemployment Compensation Fund.

Discretely Presented Component Units – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 27 non-higher education component units and 22 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 46 and 50) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (full accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Internal service funds are reported as governmental activities in the government-wide statements, but are reported as proprietary funds in the fund financial statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Commonwealth's funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 44 and provide detailed information about the major individual funds.

- **Governmental funds** – Most of the basic services provided by the Commonwealth are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Commonwealth's current needs.

Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Commonwealth's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Commonwealth reports 14 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 10 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the required supplementary information.

- **Proprietary funds** – The Commonwealth maintains two different types of proprietary funds, enterprise and internal service. These funds report activities that operate more like those of private sector business and use the full accrual basis of accounting. Enterprise funds report activities that charge fees for supplies or services to the general public like the State Lottery. Enterprise funds are reported as business-type activities on the government-wide financial statements. The enterprise funds use the full accrual basis of accounting and the only differences between amounts reported on the government-wide statements and the enterprise fund statements are due to internal service fund activity (see reconciliations on pages 52 and 54). Internal service funds report activities that charge fees for supplies and services to other Commonwealth agencies, like Fleet Management. Internal service funds are reported as governmental activities in the government-wide statements because these types of services predominantly benefit governments rather than business-type functions.

The Commonwealth reports 22 individual proprietary funds. Information is presented separately in the proprietary fund statements for the State Lottery Department, Virginia College Savings Plan, and Unemployment Compensation Funds, all of which are considered major funds. Data from the other enterprise funds are aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the required supplementary information.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because the resources of these funds are restricted and cannot be used to finance the Commonwealth's operations. The Commonwealth's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 62.

The Commonwealth's fiduciary funds are the:

- o Private-purpose Trusts, which reports the activities for 6 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
- o Pension and Other Employee Benefit Trusts, which reports the activities of 12 separate pension and other employment retirement plans for employees;
- o Investment Trust, which accounts for the activities of the external investment pool; and,
- o Agency, which accounts for assets held on behalf of others in 21 separate funds.

Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the required supplementary information.

- **Component Units** – The government-wide financial statements report information for all component units aggregated in a single column. Information is provided separately in the component unit fund statements for the Virginia Housing Development Authority, Virginia Public School Authority, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University, all of which are considered major component units. Data from the other component units are aggregated into a single column on the fund statements. Individual fund data for all nonmajor component units is provided in the combining financial statements immediately following the required supplementary information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at June 30. It also includes information concerning the Commonwealth's funding progress for pension and other post-employment benefits, as well as trend information for Commonwealth-managed risk pools.

Other Information

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 177 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

Government-wide Financial Analysis

The primary government's assets exceeded its liabilities by \$18.3 billion during the fiscal year. The net assets of the governmental activities increased \$739.7 million or 4.4 percent, primarily due to increases in capital assets as discussed further on page 35 offset by decreases in the governmental funds and long-term debt. Business-type activities had a decrease of \$213.1 million or 19.1 percent, primarily due to decreases for the Virginia College Savings Plan and the Unemployment Compensation Fund. The government-wide beginning balance was restated for the correction of prior year errors to arrive at a restated beginning balance of \$17.8 billion.

Figure 9
Net Assets as of June 30, 2008 and 2007
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007 as restated	2008	2007	2008	2007 as restated
Current and other assets	\$ 10,324,856	\$ 11,064,189	\$ 3,640,278	\$ 3,707,277	\$ 13,965,134	\$ 14,771,466
Capital assets	18,594,489	17,170,682	30,673	32,444	18,625,162	17,203,126
Total assets	28,919,345	28,234,871	3,670,951	3,739,721	32,590,296	31,974,592
Long-term liabilities outstanding	5,961,754	5,751,429	2,257,431	2,071,852	8,219,185	7,823,281
Other liabilities	5,523,636	5,789,202	512,154	553,441	6,035,790	6,342,643
Total liabilities	11,485,390	11,540,631	2,769,585	2,625,293	14,254,975	14,165,924
Net assets:						
Invested in capital assets, net of related debt	15,240,757	13,856,949	26,592	29,834	15,267,349	13,886,783
Restricted	1,711,491	1,892,920	816,061	872,174	2,527,552	2,765,094
Unrestricted	481,707	944,371	58,713	212,420	540,420	1,156,791
Total net assets	\$ 17,433,955	\$ 16,694,240	\$ 901,366	\$ 1,114,428	\$ 18,335,321	\$ 17,808,668

The largest portion of the primary government's net assets (83.3 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure, and construction in progress), less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The primary government uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the primary government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (**Figure 9**).

An additional portion of the primary government's net assets (13.8 percent) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of \$540.4 million is unrestricted net assets (**Figure 9**).

Approximately 57.6 percent of the primary government's total revenue came from taxes. While the primary government's expenses cover many services, the largest expenses are for education and individual and family services. General revenues normally fund governmental activities. For fiscal year 2008, governmental program and general revenue exceeded governmental activity expenses by \$146.5 million. Program revenues exceeded expenses from business-type activities by \$355.0 million. The following condensed financial information (**Figure 10**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets (see page 40).

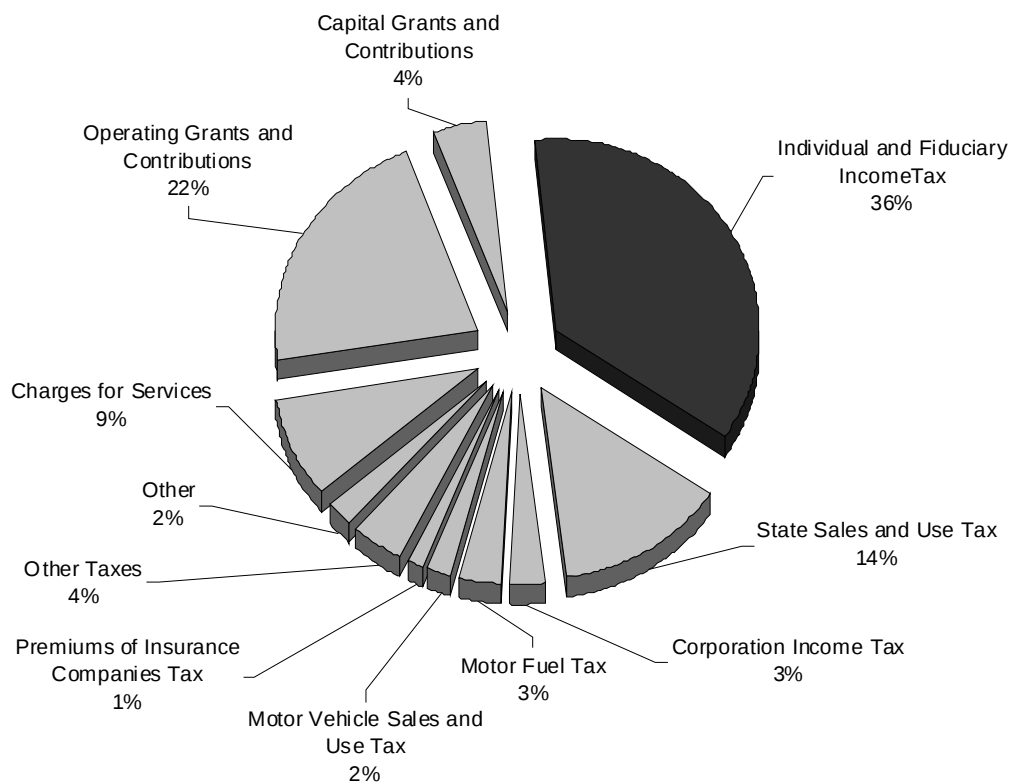
Figure 10
Changes in Net Assets for the Fiscal Years Ended June 30, 2008 and 2007
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007 as restated	2008	2007	2008	2007 as restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,404,098	\$ 2,109,855	\$ 2,706,165	\$ 2,991,653	\$ 5,110,263	\$ 5,101,508
Operating Grants and Contributions	6,067,358	5,869,805	39,243	36,091	6,106,601	5,905,896
Capital Grants and Contributions	1,152,439	850,561	-	-	1,152,439	850,561
General Revenues:						
Taxes:						
Individual and Fiduciary Income	10,099,573	9,639,024	-	-	10,099,573	9,639,024
State Sales and Use	3,820,715	3,755,896	-	-	3,820,715	3,755,896
Corporation Income	772,323	905,852	-	-	772,323	905,852
Motor Fuel	923,894	929,723	-	-	923,894	929,723
Motor Vehicle Sales and Use	533,755	588,471	-	-	533,755	588,471
Deeds, Contracts, Wills, and Suits	456,984	583,782	-	-	456,984	583,782
Premiums of Insurance Companies	396,858	384,894	-	-	396,858	384,894
Alcoholic Beverage Sales Tax	105,655	100,160	-	-	105,655	100,160
Tobacco Products	182,850	187,726	-	-	182,850	187,726
Estate	135,781	140,379	-	-	135,781	140,379
Public Service Corporations	106,378	88,672	-	-	106,378	88,672
Beer and Beverage Excise	44,357	43,804	-	-	44,357	43,804
Wine and Spirits/ABC Liter	18,552	18,020	-	-	18,552	18,020
Bank Stock	13,724	12,624	-	-	13,724	12,624
Other Taxes	66,319	74,906	12,531	12,430	78,850	87,336
Unrestricted Grants and Contributions	53,709	50,138	-	-	53,709	50,138
Investment Earnings	348,446	477,212	11,743	10,779	360,189	487,991
Miscellaneous	224,072	153,506	910	391	224,982	153,897
Total Revenues	<u>27,927,840</u>	<u>26,965,010</u>	<u>2,770,592</u>	<u>3,051,344</u>	<u>30,698,432</u>	<u>30,016,354</u>
Expenses:						
General Government	2,476,981	2,639,348	-	-	2,476,981	2,639,348
Education	9,302,822	9,537,646	-	-	9,302,822	9,537,646
Transportation	3,053,918	2,255,662	-	-	3,053,918	2,255,662
Resources and Economic Development	873,015	838,557	-	-	873,015	838,557
Individual and Family Services	9,254,559	9,028,007	-	-	9,254,559	9,028,007
Administration of Justice	2,615,198	2,643,026	-	-	2,615,198	2,643,026
Interest and Charges on Long-term Debt	204,855	203,372	-	-	204,855	203,372
State Lottery	-	-	936,416	929,369	936,416	929,369
Virginia College Savings Plan	-	-	244,165	179,530	244,165	179,530
Unemployment Insurance	-	-	432,805	381,660	432,805	381,660
Alcoholic Beverage Control	-	-	456,986	433,944	456,986	433,944
Local Choice Health Care	-	-	202,318	179,032	202,318	179,032
Nonmajor	-	-	117,741	109,261	117,741	109,261
Total Expenses	<u>27,781,348</u>	<u>27,145,618</u>	<u>2,390,431</u>	<u>2,212,796</u>	<u>30,171,779</u>	<u>29,358,414</u>
Excess/deficiency before transfers and Contributions	146,492	(180,608)	380,161	838,548	526,653	657,940
Contributions to Permanent Funds						
Transfers	593,223	563,978	(593,223)	(563,978)	-	-
Contributions to Permanent Funds	-	20,000	-	-	-	20,000
Increase in net assets	739,715	403,370	(213,062)	274,570	526,653	677,940
Net assets, July 1, as restated	16,694,240	16,290,870	1,114,428	839,858	17,808,668	17,130,728
Net assets, June 30	<u>\$ 17,433,955</u>	<u>\$ 16,694,240</u>	<u>\$ 901,366</u>	<u>\$ 1,114,428</u>	<u>\$ 18,335,321</u>	<u>\$ 17,808,668</u>

Governmental Activities Revenues

Figure 11 is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$962.8 million, or 3.6 percent. This increase is mainly attributable to activities of the General Fund and the Commonwealth Transportation Fund which are discussed further on pages 34 and 35, respectively.

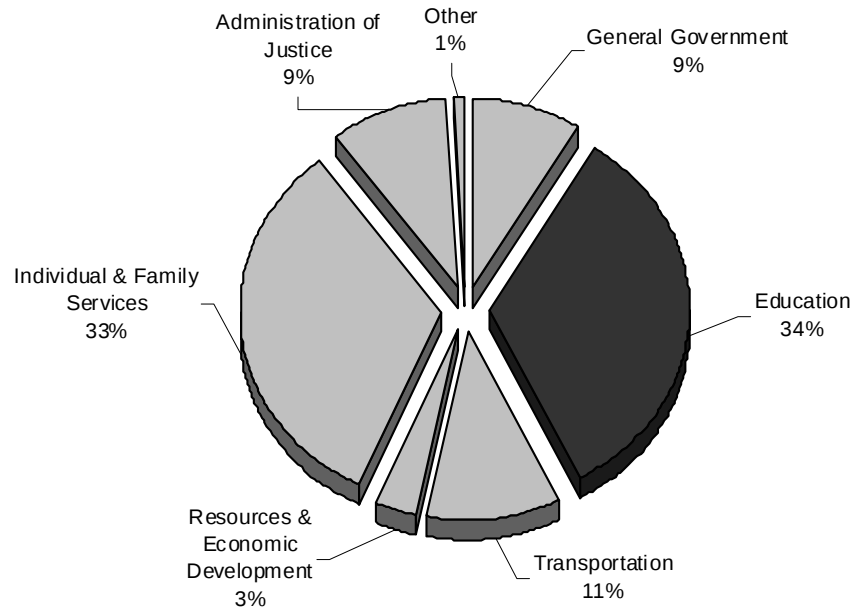
Figure 11
Revenues by Source – Governmental Activities
Fiscal Year 2008



Governmental Activities Expenses

Figure 12 is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$635.7 million or 2.3 percent. The majority of the increase is related to the General Fund and the Commonwealth Transportation Fund which are discussed further on pages 34 and 35, respectively.

Figure 12
Expenses by Type – Governmental Activities
Fiscal Year 2008

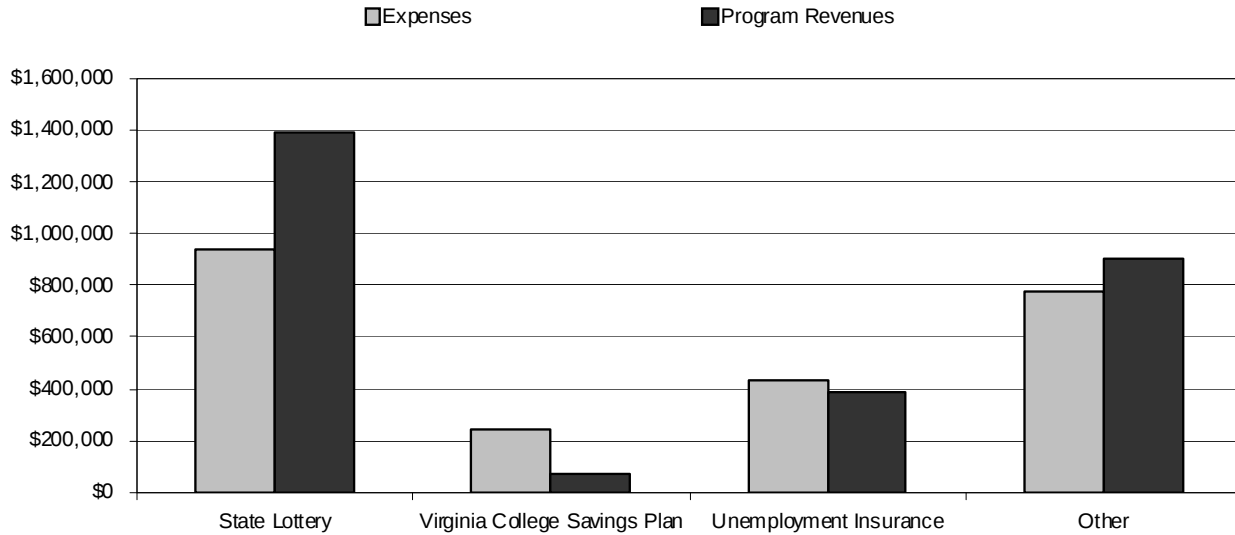


Net Assets of Business-type Activities

Net assets of business-type activities decreased by \$213.1 million during the fiscal year. Highlights of the changes in net assets for the major enterprise funds were as follows:

- Lottery sales were \$1.4 billion, increasing nearly two percent from the prior year. Net income was \$465.1 million, an increase of \$17.3 million (3.9 percent) from fiscal year 2007. Sales of scratch games decreased by \$3.4 million (0.5 percent) and online sales increased by \$27.4 million (4.1 percent). This is offset by an increase of \$8.2 million (0.9 percent) in total expenses, primarily attributable to the cost of sales and services.
- Virginia College Savings Plan's net assets decreased by \$174.2 million (143.3 percent), from a surplus of \$121.6 million to a deficit of \$52.6 million. This deterioration in financial position is primarily attributable to much worse than anticipated investment performance and a change in the tuition growth assumption that significantly increased the projected unfunded actuarial liability calculated by the Plan's actuary. The decrease in net assets was offset somewhat by revenue from new contract sales.
- Unemployment Compensation Fund net assets decreased by \$56.1 million during fiscal year 2008 as a result of a net operating loss of \$83.1 million and net transfers out of \$11.3 million for administration, offset by interest income of \$38.3 million. The net operating loss reflects increased benefit claim payments as well as decreased premium revenues from participating employers. For fiscal year 2008 the average employer assessment rate decreased from 1.2 percent in fiscal year 2007 to 1.0 percent, contributing to an overall premium revenue decrease of \$90.3 million. For benefit payments, which are reflective of Virginia's softening employment market, the overall blended unemployment rate for fiscal year 2008 rose from 3.0 percent to 3.4 percent. The increase in the unemployment rate translated into an additional 26,650 benefit claimants for fiscal year 2008 over the prior year. Additionally, the average weekly benefit payment increased from \$259 to \$269 per week, a 4.6 percent increase, and the average claim duration also slightly increased from an average 12.4 weeks to 12.5 weeks. These multiple influences led to total increased benefit payments of \$49.8 million over the prior year.

Figure 13
Business-type Activities
Program Revenues and Expenses
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)



Fund Statements Financial Analysis

As of the end of the fiscal year, the primary government's governmental funds reported combined ending fund balances of \$4.8 billion. Of this total amount, \$3.4 billion, or 69.6 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to a variety of other restricted purposes, such as the Revenue Stabilization Fund, outstanding debt and capital outlay.

General Fund Highlights

The General Fund is the chief budgetary operating fund of the primary government. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$78.5 million and reserved fund balance was \$1.1 billion. As discussed in Note 5, the decrease in reserved fund balance is due largely to a withdrawal of \$351.5 million from the Revenue Stabilization Fund during the fiscal year to offset declining revenue. When compared to the prior year, the net change in fund balance of the General Fund is a decrease of \$508.6 million. Fiscal year 2008 General Fund revenues were 1.4 percent or \$219.8 million greater than fiscal year 2007 revenues. This was attributable to a \$275.7 million increase (1.8 percent) in overall tax revenues offset by a \$72.6 million decrease (22.4 percent) in interest revenue. Fiscal year 2008 expenditures increased \$762.6 million as compared to fiscal year 2007. This was attributable to increases in education expenditures, capital outlay expenditures, individual and family services expenditures, and administration of justice expenditures of \$224.0 million, \$173.4 million, \$162.5 million, and \$142.9 million, respectively. Net other financing sources and uses increased by \$34.2 million which is due to both higher transfers in and lower transfers out.

Budget Highlights

While the General Fund recognized modest increases in overall growth when compared to fiscal year 2007, the slowing economy contributed to a decrease in the original revenue budget of \$683.0 million. This reduction was primarily attributable to decreases in the final budget for individual and fiduciary income tax revenue of \$344.0 million, sales and use tax revenue of \$167.9 million, and corporation income revenue of \$95.8 million. Total actual revenues were higher than final budgeted revenues by \$6.6 million.

Total final budget expenditures exceeded original budget expenditures by \$152.1 million or one percent. Approximately \$255.3 million of the increase relates to additional capital outlay projects. Additionally, administration of justice final budget expenditures increased approximately \$127.8 million due to increased legislative appropriations. The increases in the final budgeted expenditures were offset by decreases in general government and education expenditures of approximately \$215.1 million and \$116.9 million, respectively.

The Commonwealth spent less than planned so the actual expenditures were \$309.6 million or two percent lower than the final budgeted expenditures. This variance was primarily a result of \$141.4 million related to capital outlay projects.

Budget Outlook

The economic indicators for fiscal year 2008 revenues reflect a slowing economy. Declining employment levels, slower income growth, lower consumer confidence, and the continued downward trends in the housing market drove shortfalls in withholding, sales, and recordation taxes. The two General Fund revenue sources most closely tied to current economic activity – payroll withholding and retail sales taxes – experienced a meaningful slowdown in the rate of growth during the second half of fiscal year 2008. In addition, as discussed in Note 37, the United States' credit market has experienced tremendous fluctuations in recent months. The resulting economic concerns coupled with lower than anticipated revenue growth during fiscal year 2008 have contributed to a \$2.5 billion reduction in the General Fund revenue forecast for the 2008-2010 biennium. Based on the most recent General Fund revenue estimate, the fiscal year 2009 revenue is projected to decline by 4.0 percent while the fiscal year 2010 revenue is projected to increase by 3.6 percent over the revised 2009 forecast. In addition, the projected fiscal year 2010 revenue will be less than the actual revenue collected in fiscal year 2008. Due to lower anticipated revenue collections, the Commonwealth must reevaluate the planned General Fund spending. Accordingly, the Governor instructed Cabinet Secretaries to prepare and submit plans for five, ten, and fifteen percent reductions in General Fund spending for the remainder of fiscal year 2009. In addition to proposed spending reductions, the Governor proposes a withdrawal of \$400 million from the Revenue Stabilization Fund to help address the fiscal year 2009 budget shortfall. The Governor will release his proposed fiscal year 2010 budget reductions in conjunction with his amendments to the 2008-2010 biennial budget on December 17, 2008.

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of \$1.84 billion, a decrease of \$109.2 million from the prior year. Approximately \$2.4 billion is committed for various highway, public transportation, and rail preservation projects (see Note 18). The decrease in fund balance was primarily the result of the following activities: in fiscal year 2008, revenues and expenditures both increased \$337.6 million or 9.9 percent and \$739.1 million or 23 percent, respectively, with expenditures exceeding revenues by approximately \$173.8 million. This increased activity is primarily due to increased federal funds available for construction and increases in secondary highway maintenance.

The Federal Trust Fund balance increased by \$31.1 million or 55.9 percent. Federal Grants and Contracts revenue increased by approximately \$176.8 million or 3.2 percent. This increase was offset with an increase in total expenditures of approximately \$117.4 million or 2.1 percent. The increases in Federal Grants and Contracts revenue were offset with decreases associated with the Department of Medical Assistance Services (DMAS). During the fiscal year, DMAS received less drug rebate recoveries, primarily attributable to the implementation of Medicare Part D and timing differences related to drug rebate receivables.

The Literary Fund's fund balance decreased by \$6.6 million or 2.2 percent in fiscal year 2008 from fiscal year 2007. The decrease is the result of net disbursements exceeding net receipts by \$17.1 million, offset by a cash transfer in of \$10.5 million from the State Lottery representing unclaimed prizes.

Capital Asset and Long-term Debt

Capital Assets. The primary government's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$18.6 billion (net of accumulated depreciation totaling \$10.9 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. As noted on page 30, increases in capital assets contributed to the overall increase in governmental activities' net assets. The increase in the primary government's investment in capital assets was primarily attributable to increases in infrastructure, construction in progress, and building acquisitions or improvements of \$653.5 million, \$372.2 million, and \$295.2 million, respectively. These increases are primarily attributable to transportation. The primary government reports equipment with a value of \$50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, and infrastructure that have a cost or value greater than \$100,000. Additional information on the primary government's capital assets can be found in Note 12, "Capital Assets."

Figure 14
Capital Assets as of June 30, 2008
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,934,665	\$ 1,977	\$ 1,936,642
Buildings	1,875,342	7,736	1,883,078
Equipment	458,548	20,708	479,256
Infrastructure	11,046,369	-	11,046,369
Construction in Progress	3,279,565	252	3,279,817
Total	\$ 18,594,489	\$ 30,673	\$ 18,625,162

Long-term Debt. The Commonwealth is prohibited from issuing general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of \$26.9 billion, including total tax-supported debt of \$7.8 billion and total debt not supported by taxes of \$19.1 billion. Bonds backed by the full faith and credit of the government and tax-supported total \$1.0 billion. Debt is considered tax supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional \$1.0 billion is considered moral obligation debt which is not tax-supported. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2008, the Commonwealth issued \$3.9 billion of new debt for various projects. \$503.3 million of the new debt was for the primary government and \$3.4 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found in Note 23, as well as in the section entitled "Debt Schedules." The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service; Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc.; and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which have been issued to redeem previous debt obligations, are limited to 30 percent of 1.15 times the annual tax revenues for fiscal year 2008. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2006, 2007, and 2008. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2006, 2007, and 2008. The current debt limitation for the Commonwealth is \$4.9 billion, \$14.9 billion, and \$15.3 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt. Currently, there is no 9(a) debt outstanding.

Figure 15
Outstanding Debt as of June 30, 2008
General Obligation Bonds
(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General obligation bonds				
9(b)	\$ 935,105	\$ -	\$ 935,105	\$ -
9(c)	66,884	-	66,884	487,296
Total	<u>\$ 1,001,989</u>	<u>\$ -</u>	<u>\$ 1,001,989</u>	<u>\$ 487,296</u>

Economic Factors and Review

In fiscal year 2008, Virginia's economy weakened as it mirrored the national economy's slowdown. The Commonwealth's growth rate was just below the national growth rate for the second consecutive year since 1996. Virginia's personal income in current dollars grew by just 4.4 percent, the lowest growth in the four previous years. Although higher in fiscal year 2008 than in prior years, unemployment in Virginia was only 3.4 percent, in comparison with the national average, which was 4.9 percent. During fiscal year 2008, new housing in Virginia again fell by 28 percent. Overall, Virginia's economic decline was not as severe as for the nation as a whole. For a more in-depth discussion on the Commonwealth's economy see "Economic Review" on page 8.

Requests for Information

This financial report is designed to provide a general overview of the Commonwealth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State Comptroller's Office, Commonwealth of Virginia, P. O. Box 1971, Richmond, Virginia 23218. This report is also available for download from the World Wide Web. Our Internet address is www.doa.virginia.gov.

The Commonwealth's component units issue their own separate financial statements. Contact information regarding each component unit is provided in Note 1.B.

Government-wide Financial Statements

Statement of Net Assets

June 30, 2008

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 3,868,274	\$ 1,136,054	\$ 5,004,328	\$ 1,712,939
Investments (Notes 1 and 6)	3,606,123	2,049,919	5,656,042	10,493,215
Receivables, Net (Notes 1 and 7)	2,235,041	450,879	2,685,920	11,084,157
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	338,449
Internal Balances (Note 1)	46,787	(46,787)	-	-
Due from Primary Government (Note 9)	-	-	-	346,585
Due from Component Units (Note 9)	926	-	926	42,758
Due from External Parties (Fiduciary Funds) (Note 9)	188	-	188	-
Inventory (Note 1)	131,111	47,605	178,716	83,239
Prepaid Items (Note 1)	52,612	2,305	54,917	90,232
Other Assets (Notes 1 and 10)	5,464	303	5,767	160,153
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	173,090
Loans Receivable from Component Units (Notes 1 and 9)	15,641	-	15,641	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	362,689	-	362,689	2,651,793
Restricted Investments (Notes 6 and 11)	-	-	-	3,851,652
Other Restricted Assets (Note 11)	-	-	-	166,505
Nondepreciable Capital Assets (Notes 1 and 12)	5,214,230	2,229	5,216,459	2,555,510
Depreciable Capital Assets, Net (Notes 1 and 12)	13,380,259	28,444	13,408,703	7,882,783
Total Assets	28,919,345	3,670,951	32,590,296	41,633,060
Liabilities				
Accounts Payable (Notes 1 and 21)	809,640	44,604	854,244	1,009,191
Amounts Due to Other Governments	460,165	14,139	474,304	72,506
Due to Primary Government (Note 9)	-	-	-	926
Due to Component Units (Note 9)	344,212	2,373	346,585	42,758
Unearned Revenue (Note 1)	100,572	5,189	105,761	271,245
Obligations Under Securities Lending Program (Notes 1 and 6)	1,784,767	335,643	2,120,410	607,323
Other Liabilities (Notes 1 and 22)	1,378,025	77,748	1,455,773	1,158,712
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	15,641
Loans Payable to Component Units (Notes 1 and 9)	173,090	-	173,090	-
Claims Payable:				
Due Within One Year (Notes 1 and 20)	156,031	23,975	180,006	48,562
Due in More Than One Year (Notes 1 and 20)	317,134	8,483	325,617	44,216
Long-term Liabilities:				
Due Within One Year (Notes 1, 19, and 23)	572,062	180,633	752,695	1,176,190
Due in More Than One Year (Notes 1, 19, and 23)	5,389,692	2,076,798	7,466,490	17,551,462
Total Liabilities	11,485,390	2,769,585	14,254,975	21,998,732

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

	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
		Total	
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,240,757	26,592	15,267,349
Restricted For:			
Nonexpendable:			
Higher Education	-	-	2,173,608
Permanent Funds	49,847	-	49,847
Other	-	-	90,560
Expendable:			
Higher Education	-	-	4,532,765
Permanent Funds	2,394	-	2,394
Revenue Stabilization Fund	1,036,191	-	1,036,191
Literary Fund	293,733	-	293,733
Gifts and Grants	162,199	-	162,199
Unemployment Compensation	-	815,874	815,874
Virginia Pooled Investment Program	-	-	6,466
Capital Projects/Construction/Capital Acquisition	66,042	187	66,229
Debt Service	101,085	-	101,085
Bond Indenture	-	-	1,854,543
Other	-	-	96,141
Unrestricted	481,707	58,713	540,420
Total Net Assets	\$ 17,433,955	\$ 901,366	\$ 18,335,321
			\$ 19,634,328

Statement of Activities

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 2,476,981	\$ 243,958	\$ 128,590	\$ -
Education	9,302,822	378,891	757,675	286
Transportation	3,053,918	709,178	62,054	1,139,029
Resources and Economic Development	873,015	296,815	193,601	8,473
Individual and Family Services	9,254,559	388,583	4,880,874	1,941
Administration of Justice	2,615,198	386,673	44,564	2,710
Interest and Charges on Long-term Debt	204,855	-	-	-
Total Governmental Activities	27,781,348	2,404,098	6,067,358	1,152,439
Business-type Activities				
State Lottery	936,416	1,388,752	-	-
Virginia College Savings Plan	244,165	69,971	-	-
Unemployment Compensation	432,805	349,723	38,298	-
Alcoholic Beverage Control	456,986	552,607	945	-
Local Choice Health Care	202,318	216,362	-	-
Other	117,741	128,750	-	-
Total Business-type Activities	2,390,431	2,706,165	39,243	-
Total Primary Government	\$ 30,171,779	\$ 5,110,263	\$ 6,106,601	\$ 1,152,439
Component Units				
Virginia Housing Development Authority	\$ 553,484	\$ 507,271	\$ 135,018	\$ -
Virginia Public School Authority	157,145	149,824	-	-
Higher Education:				
Major	5,656,728	3,905,070	1,146,849	100,089
Nonmajor	3,627,658	1,520,602	512,084	275,577
Other Nonmajor	722,235	530,565	1,819	65,908
Total Component Units	\$ 10,717,250	\$ 6,613,332	\$ 1,795,770	\$ 441,574

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,104,433)	\$ -	\$ (2,104,433)	\$ -
(8,165,970)	-	(8,165,970)	-
(1,143,657)	-	(1,143,657)	-
(374,126)	-	(374,126)	-
(3,983,161)	-	(3,983,161)	-
(2,181,251)	-	(2,181,251)	-
(204,855)	-	(204,855)	-
(18,157,453)	-	(18,157,453)	-
-	452,336	452,336	-
-	(174,194)	(174,194)	-
-	(44,784)	(44,784)	-
-	96,566	96,566	-
-	14,044	14,044	-
-	11,009	11,009	-
-	354,977	354,977	-
(18,157,453)	354,977	(17,802,476)	-
-	-	-	88,805
-	-	-	(7,321)
-	-	-	(504,720)
-	-	-	(1,319,395)
-	-	-	(123,943)
-	-	-	(1,866,574)

Continued on next page

Statement of Activities (Continued from previous page)

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General Revenues				
Taxes				
Individual and Fiduciary Income	10,099,573	-	10,099,573	-
Sales and Use	3,820,715	-	3,820,715	-
Corporation Income	772,323	-	772,323	-
Motor Fuel	923,894	-	923,894	-
Motor Vehicle Sales and Use	533,755	-	533,755	-
Deeds, Contracts, Wills, and Suits	456,984	-	456,984	-
Premiums of Insurance Companies	396,858	-	396,858	-
Alcoholic Beverage Sales Tax	105,655	-	105,655	-
Tobacco Products	182,850	-	182,850	-
Estate	135,781	-	135,781	-
Public Service Corporations	106,378	-	106,378	-
Beer and Beverage Excise	44,357	-	44,357	-
Wine and Spirits/ABC Liter	18,552	-	18,552	-
Bank Stock	13,724	-	13,724	-
Other Taxes	66,319	12,531	78,850	-
Operating Appropriations from Primary Government	-	-	-	2,004,859
Unrestricted Grants and Contributions	53,709	-	53,709	60,489
Investment Earnings	348,446	11,743	360,189	260,525
Miscellaneous	224,072	910	224,982	50,563
Tobacco Master Settlement	-	-	-	12,672
Transfers	593,223	(593,223)	-	-
Contributions to Permanent Funds and Endowments	-	-	-	153,055
Total General Revenues and Transfers	18,897,168	(568,039)	18,329,129	2,542,163
Change in Net Assets	739,715	(213,062)	526,653	675,589
Net Assets - July 1, as restated (Note 2)	16,694,240	1,114,428	17,808,668	18,958,739
Net Assets - June 30	\$ 17,433,955	\$ 901,366	\$ 18,335,321	\$ 19,634,328

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

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.

The Commonwealth Transportation Fund accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the federal government.

The Federal Trust Fund accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. The entire fund is restricted pursuant to federal regulations. As such, a separate fund balance reservation is not reflected.

The Literary Fund accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools. As such, a separate fund balance reservation is not reflected.

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 179 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2008

(Dollars in Thousands)

	Special Revenue			
	General	Commonwealth Transportation	Federal Trust	Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 199,610	\$ 1,802,555	\$ 173,455	\$ 160,630
Investments (Notes 1 and 6)	2,943,506	351,338	12,400	35,901
Receivables, Net (Notes 1 and 7)	1,030,134	320,824	418,887	334,481
Due from Other Funds (Note 9)	25,301	52	857	-
Due from Component Units (Note 9)	-	-	-	-
Due from External Parties (Fiduciary Funds) (Note 9)	6	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	46,693	49,578	12,249	-
Prepaid Items (Note 1)	41,567	2,595	416	-
Other Assets (Notes 1 and 10)	2,163	2,422	2,097	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Restricted Cash and Cash Equivalents (Notes 1, 6, and 11)	-	82,923	-	-
Total Assets	\$ 4,288,980	\$ 2,612,287	\$ 620,361	\$ 531,012
Liabilities and Fund Balances				
Accounts Payable (Notes 1 and 21)	\$ 287,505	\$ 257,301	\$ 101,066	\$ 207
Amounts Due to Other Governments	276,969	1,178	142,756	-
Due to Other Funds (Note 9)	22,292	16,410	22,057	-
Due to Component Units (Note 9)	49,963	-	-	-
Interfund Payable (Note 9)	-	-	2,682	-
Deferred Revenue (Note 1)	368,015	24,931	31,264	18,551
Unearned Revenue (Note 1)	30	21,578	4,618	-
Deferred Taxes (Note 1)	194,497	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	995,920	444,606	15,691	45,431
Other Liabilities (Notes 1 and 22)	889,967	2,416	213,481	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	173,090
Long-term Liabilities Due Within One Year (Notes 1, 19, and 23)	903	271	78	-
Total Liabilities	3,086,061	768,691	533,693	237,279
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	1,036,191	-	-	-
Inventory	46,693	49,578	12,249	-
Prepaid Items	41,567	2,595	416	-
Debt Service	-	-	-	-
Gifts and Grants	-	25,238	-	-
Capital Acquisition / Construction	-	80,650	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Fund	78,468	-	-	-
Special Revenue Funds	-	1,685,535	74,003	293,733
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	1,202,919	1,843,596	86,668	293,733
Total Liabilities and Fund Balances	\$ 4,288,980	\$ 2,612,287	\$ 620,361	\$ 531,012

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,347,313	\$ 3,683,563
178,148	3,521,293
92,726	2,197,052
6,913	33,123
674	674
182	188
51,157	51,157
6,091	114,611
7,476	52,054
1,151	7,833
15,641	15,641
-	82,923
<u>\$ 1,707,472</u>	<u>\$ 9,760,112</u>
\$ 71,596	\$ 717,675
1,456	422,359
6,580	67,339
32,865	82,828
-	2,682
14,106	456,867
9,256	35,482
-	194,497
175,770	1,677,418
5,334	1,111,198
-	173,090
338	1,590
<u>317,301</u>	<u>4,943,025</u>
-	1,036,191
6,151	114,671
7,476	52,054
101,085	101,085
57,071	82,309
591	81,241
-	78,468
1,032,044	3,085,315
133,512	133,512
52,241	52,241
<u>1,390,171</u>	<u>4,817,087</u>
<u>\$ 1,707,472</u>	<u>\$ 9,760,112</u>

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

June 30, 2008

(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)	\$	4,817,087
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When capital assets (land, buildings, equipment, improvements, construction in progress, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the primary government as a whole.

Non Depreciable Capital Asset	5,213,364
Depreciable Capital Assets	13,325,652

Long-term liabilities applicable to the primary government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Pension Liability	(868,591)
OPEB Liability	(56,258)
Capital Lease	(113,477)
Installment Purchases	(51,697)
Compensated Absences	(337,303)
Uninsured Employer's Fund	(20,203)
Regional Jails	(9,980)
Bonds	(4,347,248)
Notes	(23,040)
Accrued Interest Payable	(66,639)
Other Obligations	(111,853)

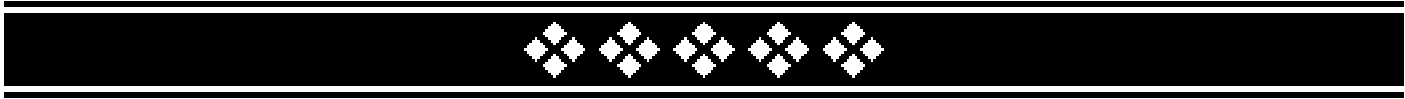
Internal service funds are used by the primary government to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.	(34,260)
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Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.	(338,449)
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>456,850</u>
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Net assets of governmental activities (see Government-wide Statement of Net Assets)	\$	<u>17,433,955</u>
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The accompanying notes are an integral part of this financial statement.



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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

		Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
	General			
Revenues				
Taxes	\$ 15,614,924	\$ 1,959,038	\$ -	\$ -
Rights and Privileges	67,422	604,455	-	258
Institutional Revenue	7,592	-	-	
Interest, Dividends, Rents, and Other Investment Income (Note 1)	251,738	111,661	3,687	28,891
Federal Grants and Contracts	-	898,021	5,714,516	-
Other (Note 24)	331,979	166,050	50,972	162,431
Total Revenues	16,273,655	3,739,225	5,769,175	191,580
Expenditures				
Current:				
General Government	1,819,829	2,242	110,684	2,729
Education	7,825,792	2,410	875,916	205,962
Transportation	25,990	3,839,906	13,615	-
Resources and Economic Development	333,137	15,788	124,143	-
Individual and Family Services	4,192,321	-	4,557,077	-
Administration of Justice	2,419,640	7,991	38,192	-
Capital Outlay	374,612	44,700	9,783	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	16,991,321	3,913,037	5,729,410	208,691
Revenues Over (Under) Expenditures	(717,666)	(173,812)	39,765	(17,111)
Other Financing Sources (Uses)				
Transfers In (Note 29)	632,744	349,600	14,082	10,480
Transfers Out (Note 29)	(700,861)	(292,979)	(22,773)	-
Notes Issued	340	-	-	-
Insurance Recoveries	139	4,083	-	-
Capital Leases	4,534	-	-	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	-	3,872	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	(63,104)	64,576	(8,691)	10,480
Net Change in Fund Balances	(780,770)	(109,236)	31,074	(6,631)
Fund Balance, July 1	1,983,689	1,952,832	55,594	300,364
Fund Balance, June 30	\$ 1,202,919	\$ 1,843,596	\$ 86,668	\$ 293,733

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 84,912	\$ 17,658,874
274,117	946,252
382,189	389,781
56,376	452,353
14,249	6,626,786
465,128	1,176,560
1,276,971	27,250,606
110,944	2,046,428
30,137	8,940,217
3,667	3,883,178
395,281	868,349
595,916	9,345,314
77,076	2,542,899
415,301	844,396
361,676	361,676
203,253	203,253
2,193,251	29,035,710
(916,280)	(1,785,104)
656,338	1,663,244
(53,119)	(1,069,732)
-	340
1,604	5,826
-	4,534
416,145	416,145
23,347	23,347
58,995	58,995
2,872	6,744
(62,757)	(62,757)
1,043,425	1,046,686
127,145	(738,418)
1,263,026	5,555,505
\$ 1,390,171	\$ 4,817,087

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)	\$ (738,418)
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When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Net Non-Depreciable Capital Assets	453,146
Net Depreciable Capital Assets	1,540,399
Net Depreciation Expense	(558,078)

Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Assets.

Debt Issuance	(416,145)
Capital Lease Proceeds	(4,534)
Bond Premiums	(23,347)
Refunding Bonds Issued	(58,995)
Installment Purchase Proceeds	(340)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets.

Debt Service Fund Repayment of Debt Principal	361,676
Repayment of Debt Principal in Other Funds:	
Capital Lease	9,203
Installment Purchases	7,344
Uninsured Employer's Fund	3,795
Regional Jails	2,632

Payment to Refunded Bond Escrow Agent is an expenditure in the governmental funds, but the refunding reduces long-term debt in the Statement of Net Assets.	62,757
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	54,527
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Increase in Pension Liability	(87,758)
Increase in OPEB Liability	(56,258)
Increase in Accrued Interest Liability	(884)
Increase in Compensated Absences	(4,781)
Increase in Interest Expense and Amortization of Deferrals on Long-term Debt	(816)
Other	(16,198)

Net Decrease in Due to Component Units for Capital and Other Projects resulting from appropriation reductions	238,483
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The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	(27,695)
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Change in net assets of governmental activities (See Government-wide Statement of Activities)	\$ 739,715
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The accompanying notes are an integral part of this financial statement.

Proprietary Funds

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

Major Enterprise Funds

The State Lottery accounts for all receipts and expenses from the operations of the State Lottery.

The Virginia College Savings Plan administers the Virginia Prepaid Education Program. The plan offers contracts, for actuarially determined amounts, guaranteeing full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions. The fund accounts for the actuarially determined contributions and payments for approved expenses.

The Unemployment Compensation administers the temporary partial income replacement payments to unemployed covered workers.

Nonmajor Enterprise Funds include those operations of state agencies which are listed on page 191 in the Combining and Individual Fund Statements and Schedules section of this report.

Internal Service Funds include those operations of state agencies which are listed on page 207 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Proprietary Funds

June 30, 2008

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Assets				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 9,956	\$ 152,538	\$ 787,363	\$ 186,197
Investments (Notes 1 and 6)	335,514	16,960	-	32,408
Receivables, Net (Notes 1 and 7)	48,411	76,153	68,624	35,053
Due from Other Funds (Note 9)	-	-	688	2,471
Inventory (Note 1)	-	-	-	47,605
Prepaid Items (Note 1)	621	-	-	1,684
Other Assets (Notes 1 and 10)	1	-	-	165
Total Current Assets	394,503	245,651	856,675	305,583
Noncurrent Assets:				
Investments (Notes 1 and 6)	269,992	1,395,044	-	1
Receivables, Net (Notes 1 and 7)	-	222,638	-	-
Other Assets (Notes 1 and 10)	-	-	-	137
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	2,229
Depreciable Capital Assets, Net (Notes 1 and 12)	6,186	2,540	-	19,718
Total Noncurrent Assets	276,178	1,620,222	-	22,085
Total Assets	670,681	1,865,873	856,675	327,668
Liabilities				
Current Liabilities:				
Accounts Payable (Notes 1 and 21)	9,340	1,927	139	35,918
Amounts Due to Other Governments	-	-	8,981	5,158
Due to Other Funds (Note 9)	394	21	456	8,656
Due To Component Units (Note 9)	-	-	-	2,373
Interfund Payable (Note 9)	5,000	-	-	31,494
Unearned Revenue (Note 1)	2,058	-	-	3,131
Obligations Under Securities Lending Program (Notes 1 and 6)	273,169	21,463	-	41,011
Other Liabilities (Notes 1 and 22)	46,335	117	31,038	258
Claims Payable Due Within One Year (Notes 1 and 20)	-	-	-	23,975
Long-term Liabilities Due Within One Year (Notes 1, 19, and 23)	63,556	112,783	-	4,294
Total Current Liabilities	399,852	136,311	40,614	156,268
Noncurrent Liabilities:				
Interfund Payable (Note 9)	-	-	-	394
Claims Payable Due in More Than One Year (Notes 1 and 20)	-	-	-	8,483
Long-term Liabilities Due in More Than One Year (Notes 1, 19, and 23)	274,341	1,782,198	-	20,259
Total Noncurrent Liabilities	274,341	1,782,198	-	29,136
Total Liabilities	674,193	1,918,509	40,614	185,404
Net Assets				
Invested in Capital Assets, Net of				
Related Debt	6,186	193	-	20,213
Restricted for Unemployment Compensation	-	-	815,874	-
Restricted for Capital Acquisition	-	-	187	-
Unrestricted	(9,698)	(52,829)	-	122,051
Total Net Assets (Deficit) (Note 3)	\$ (3,512)	\$ (52,636)	\$ 816,061	\$ 142,264

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included in business-type activities.
Net assets of business-type activities

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

	Governmental Activities	
	Internal Service Funds	
Total		
\$ 1,136,054	\$	464,477
384,882		84,830
228,241		37,989
3,159		41,463
47,605		16,500
2,305		558
166		6,578
1,802,412		652,395
1,665,037		-
222,638		-
137		-
2,229		866
28,444		54,607
1,918,485		55,473
3,720,897		707,868
47,324		57,991
14,139		666
9,527		879
2,373		-
36,494		938
5,189		65,148
335,643		107,349
77,748		5,691
23,975		156,031
180,633		3,618
733,045		398,311
394		10,649
8,483		317,134
2,076,798		16,845
2,085,675		344,628
2,818,720		742,939
26,592		52,409
815,874		-
187		-
59,524		(87,480)
\$ 902,177	\$	(35,071)
(811)		
\$ 901,366		

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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Operating Revenues				
Charges for Sales and Services	\$ 1,386,412	\$ 137,852	\$ 349,723	\$ 875,582
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	(68,439)	-	-
Other (Note 24)	-	21	-	27,232
Total Operating Revenues	1,386,412	69,434	349,723	902,814
Operating Expenses				
Cost of Sales and Services	93,344	-	-	321,000
Prizes and Claims (Note 25)	781,860	-	432,805	189,430
Tuition Benefits Expense	-	234,072	-	-
Personal Services	21,854	4,700	-	101,767
Contractual Services	33,218	4,189	-	52,160
Supplies and Materials	1,062	71	-	22,945
Depreciation and Amortization (Note 26)	1,063	62	-	8,771
Rent, Insurance, and Other Related Charges	1,537	218	-	23,888
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	47,804
Other (Note 27)	-	298	-	4,987
Total Operating Expenses	933,938	243,610	432,805	772,752
Operating Income	452,474	(174,176)	(83,082)	130,062
Nonoperating Revenues (Expenses)				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	14,083	537	38,298	8,515
Other (Note 28)	(1,469)	(537)	-	(2,469)
Total Nonoperating Revenues (Expenses)	12,614	-	38,298	6,046
Income Before Transfers	465,088	(174,176)	(44,784)	136,108
Transfers In (Note 29)	-	-	1,641	210
Transfers Out (Note 29)	(465,738)	(10)	(12,970)	(116,356)
Change in Net Assets	(650)	(174,186)	(56,113)	19,962
Total Net Assets (Deficit), July 1	(2,862)	121,550	872,174	122,302
Total Net Assets (Deficit), June 30 (Note 3)	\$ (3,512)	\$ (52,636)	\$ 816,061	\$ 142,264

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in Net Assets of business-type activities

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

	Governmental Activities	
	Total	Internal Service Funds
\$ 2,749,569	\$ 1,473,814	
(68,439)	-	
27,253	583	
2,708,383	1,474,397	
414,344	63,997	
1,404,095	1,003,431	
234,072	-	
128,321	56,552	
89,567	324,299	
24,078	11,230	
9,896	17,751	
25,643	30,916	
-	486	
47,804	-	
5,285	13,913	
2,383,105	1,522,575	
325,278	(48,178)	
61,433	20,633	
(4,475)	(1,936)	
56,958	18,697	
382,236	(29,481)	
1,851	680	
(595,074)	(969)	
(210,987)	(29,770)	
1,113,164	(5,301)	
\$ 902,177	\$ (35,071)	

(2,075)

\$ (213,062)

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Cash Flows from Operating Activities				
Receipts for Sales and Services	\$ 1,387,978	\$ 143,521	\$ 361,023	\$ 880,427
Internal Activity-Receipts from Other Funds	-	-	2,840	17,445
Internal Activity-Payments to Other Funds	-	(375)	-	(4,252)
Payments to Suppliers for Goods and Services	(93,344)	(258)	-	(379,709)
Payments for Contractual Services	(22,487)	(3,973)	-	(51,909)
Payments for Prizes, Claims, and Loss Control (Note 32)	(788,285)	-	(428,447)	(185,728)
Payments for Tuition Benefits	-	(73,130)	-	-
Payments to Employees	(21,265)	(4,487)	-	(99,545)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(41,670)
Other Operating Revenue (Note 32)	-	21	-	8,124
Other Operating Expense (Note 32)	-	(35)	-	(557)
Net Cash Provided by (Used for) Operating Activities	462,597	61,284	(64,584)	142,626
Cash Flows from Noncapital Financing Activities				
Transfers In From Other Funds	-	-	1,641	269
Transfers Out to Other Funds	(468,659)	(10)	(12,970)	(266,140)
Other Noncapital Financing Receipt Activities (Note 32)	8,132	-	-	181,393
Other Noncapital Financing Disbursement Activities (Note 32)	(6,000)	-	-	(35,367)
Net Cash Provided by (Used for) Noncapital Financing Activities	(466,527)	(10)	(11,329)	(119,845)
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(5,652)	(110)	-	(1,236)
Payment of Principal and Interest on Bonds and Notes	-	-	-	(1,024)
Proceeds from Sale of Capital Assets	-	-	-	11
Other Capital and Related Financing Receipt Activities (Note 32)	-	-	-	-
Other Capital and Related Financing Disbursement Activities (Note 32)	-	-	-	(385)
Net Cash Provided By (Used for) Capital and Related Financing Activities	(5,652)	(110)	-	(2,634)
Cash Flows from Investing Activities				
Purchase of Investments	(58,713)	(2,462,007)	-	-
Proceeds from Sales or Maturities of Investments	61,063	2,273,229	-	-
Investment Income on Cash, Cash Equivalents, and Investments	9,482	100,378	38,298	6,438
Net Cash Provided by (Used for) Investing Activities	11,832	(88,400)	38,298	6,438
Net Increase (Decrease) in Cash and Cash Equivalents	2,250	(27,236)	(37,615)	26,585
Cash and Cash Equivalents, July 1	7,318	175,272	824,978	151,174
Cash and Cash Equivalents, June 30	\$ 9,568	\$ 148,036	\$ 787,363	\$ 177,759
Reconciliation of Cash and Cash Equivalents				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 9,956	\$ 152,538	\$ 787,363	\$ 186,197
Cash and Travel Advances	1	-	-	165
Less:				
Securities Lending Cash Equivalents	(389)	(4,502)	-	(8,603)
Cash and Cash Equivalents per the Statement of Cash Flows	\$ 9,568	\$ 148,036	\$ 787,363	\$ 177,759

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

	Governmental Activities	
	Total	Internal Service Funds
\$ 2,772,949	\$ 1,057,586	
20,285	420,910	
(4,627)	(10,631)	
(473,311)	(102,890)	
(78,369)	(320,416)	
(1,402,460)	(916,983)	
(73,130)	-	
(125,297)	(54,338)	
(41,670)	-	
8,145	583	
(592)	(9,074)	
601,923	64,747	
1,910	680	
(747,779)	(969)	
189,525	226	
(41,367)	-	
(597,711)	(63)	
(6,998)	(11,351)	
(1,024)	(1,594)	
11	790	
-	24	
(385)	(632)	
(8,396)	(12,763)	
(2,520,720)	-	
2,334,292	-	
154,596	16,634	
(31,832)	16,634	
(36,016)	68,555	
1,158,742	373,514	
\$ 1,122,726	\$ 442,069	
\$ 1,136,054	\$ 464,477	
166	111	
(13,494)	(22,519)	
\$ 1,122,726	\$ 442,069	

Continued on next page

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

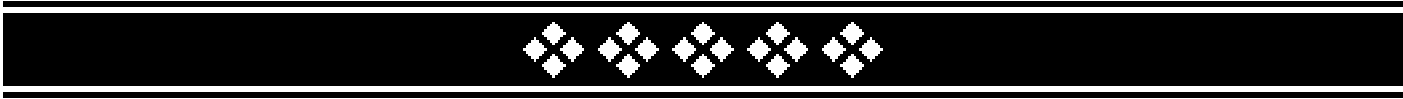
For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities				
Operating Income (Loss)	\$ 452,474	\$ (174,176)	\$ (83,082)	\$ 130,062
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities				
Depreciation and Amortization	1,063	62	-	8,771
Interest, Dividends, Rents, and Other Investment Income	(21,963)	69,453	-	-
Miscellaneous Nonoperating Income	-	-	-	-
Other Expenses	-	-	-	1
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	2,348	4,598	10,269	(1,394)
(Increase) Decrease in Due From Other Funds	-	-	93	1,577
(Increase) Decrease in Other Assets	-	-	-	1,224
(Increase) Decrease in Inventory	-	-	-	(1,005)
(Increase) Decrease in Prepaid Items	48	-	-	(414)
Increase (Decrease) in Accounts Payable	2,582	113	23	(2,153)
Increase (Decrease) in Amounts Due to Other Governments	-	-	1,622	(2,451)
Increase (Decrease) in Due to Other Funds	84	21	(37)	8
Increase (Decrease) in Due to Component Units	-	-	-	2,373
Increase (Decrease) in Interfund Payables	-	-	-	-
Increase (Decrease) in Unearned Revenue	(782)	-	-	214
Increase (Decrease) in Other Liabilities	6,403	54	6,528	1
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	2,350
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	858
Increase (Decrease) in Long-term Liabilities: Due Within One Year	3,879	27,672	-	162
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	16,461	133,487	-	2,442
Net Cash Provided by (Used for) Operating Activities	<u>\$ 462,597</u>	<u>\$ 61,284</u>	<u>\$ (64,584)</u>	<u>\$ 142,626</u>
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Trade-ins of Used Equipment on New Equipment	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	(169,832)	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Other	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ (169,832)</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Governmental Activities	
	Total	Internal Service Funds
\$	325,278	\$ (48,178)
	9,896	17,751
	47,490	-
	-	727
	1	-
	15,821	(16,456)
	1,670	(1,491)
	1,224	4,790
	(1,005)	1,829
	(366)	(190)
	565	125
	(829)	(1,049)
	76	89
	2,373	-
	-	(143)
	(568)	3,468
	12,986	378
	2,350	13,928
	858	87,012
	31,713	(185)
	152,390	2,342
\$	601,923	\$ 64,747
\$	-	\$ 23
	(169,832)	-
	-	983
	-	135
\$	(169,832)	\$ 1,141



Fiduciary Funds

Private Purpose Funds

Private Purpose Funds are trust arrangements that benefit individuals, private organizations, or other governments.

Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS), the Department of Accounts (DOA), or the Department of Human Resource Management (DHRM) for the Commonwealth.

Investment Trust Fund

Investment Trust Fund reflects the external portion of the Local Government Investment Pool sponsored by the Commonwealth.

Agency Funds

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

A listing of all Fiduciary Funds is located on pages 216-217 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 218.

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2008

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 17,629	\$ 371,991	\$ 2,003,623	\$ 290,258
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	2	15,946,528	156,544	-
Stocks	138,795	18,928,017	-	-
Fixed Income Commingled Funds	-	1,896,865	-	-
Index and Pooled Funds	295,844	11,942,560	-	-
Real Estate	-	2,865,510	-	-
Private Equity	-	4,430,403	-	-
Mutual and Money Market Funds	25,475,694	-	-	-
Short-term Investments	-	230,699	1,318,106	86,717
Other	146,340	3,428,441	-	312,623
Total Investments	26,056,675	59,669,023	1,474,650	399,340
Receivables, Net (Notes 1 and 7):				
Accounts	62	-	-	163,980
Contributions	-	191,165	-	-
Interest and Dividends	1,157	169,189	11,157	-
Security Transactions	-	3,032,192	-	-
Other Receivables	-	40,967	-	-
Total Receivables	1,219	3,433,513	11,157	163,980
Prepaid Items	201	-	-	-
Furniture and Equipment (Note 1)	-	6,798	-	-
Total Assets	26,075,724	63,481,325	3,489,430	853,578
Liabilities				
Accounts Payable and Accrued Expenses (Notes 1 and 21)	2,007	76,888	-	11,766
Amounts Due to Other Governments	-	-	-	342,299
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	-	6	182
Obligations Under Securities Lending Program (Notes 1 and 6)	1,838	3,433,432	-	16,519
Other Liabilities (Notes 1 and 22)	114	35,744	-	482,217
Retirement Benefits Payable	-	196,420	-	-
Refunds Payable	-	5,559	-	-
Compensated Absences Payable (Notes 1 and 19)	199	1,709	-	-
Insurance Premiums and Claims Payable	-	35,701	-	595
Payable for Security Transactions	-	4,584,098	-	-
Pension Liability	438	4,036	-	-
Other Post Employment Benefits (OPEB) Liability	43	393	-	-
Total Liabilities	4,639	8,373,980	6	853,578
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool				
Participants, and Other Purposes	\$ 26,071,085	\$ 55,107,345	\$ 3,489,424	\$ -

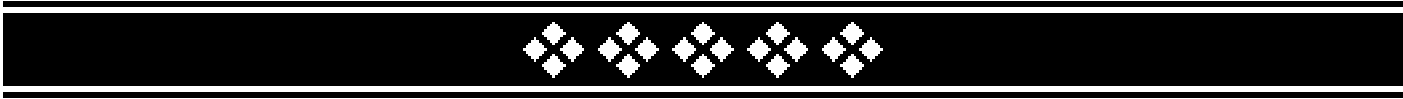
The accompanying notes are an integral part of this financial statement.

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ (1,975,403)	\$ (2,395,178)	\$ 115,938
Distributions to Shareholders from Net Investment Income	-	-	(115,938)
Total Investment Income	(1,975,403)	(2,395,178)	-
Less Investment Expenses	19,923	459,419	-
Net Investment Income (Note 1)	(1,995,326)	(2,854,597)	-
Proceeds from Unclaimed Property	2,364	-	-
Contributions:			
Participants	6,163,793	-	-
Member	-	863,551	-
Employer	-	1,681,735	-
Total Contributions	6,163,793	2,545,286	-
Shares Sold	-	-	5,391,865
Reinvested Distributions	-	-	115,672
Other Revenue (Note 24)	344	21,360	-
Total Additions	4,171,175	(287,951)	5,507,537
Deductions:			
Loan Servicing Payments	83	-	-
Educational Expense Benefits	993,893	-	-
Retirement Benefits	-	2,536,624	-
Refunds to Former Members	-	102,939	-
Retiree Health Insurance Credits	-	103,762	-
Insurance Premiums and Claims	17,657	139,108	-
Trust Payments	3	-	-
Administrative Expenses	28,802	29,213	-
Other Expenses (Note 27)	-	5,860	-
Shares Redeemed	1,270,118	-	5,078,409
Long-term Disability Benefits	-	31,211	-
Total Deductions	2,310,556	2,948,717	5,078,409
Transfers:			
Transfers In	-	294	-
Transfers Out	-	(294)	-
Total Transfers	-	-	-
Net Increase	1,860,619	(3,236,668)	429,128
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
July 1	24,210,466	58,344,013	3,060,296
June 30	\$ 26,071,085	\$ 55,107,345	\$ 3,489,424

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



Component Units

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

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

The Virginia Public School Authority provides financing for capital construction of primary and secondary schools to cities and counties.

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals. Higher education institutions included in this section are:

University of Virginia, including the University of Virginia College at Wise, and the University of Virginia Hospital
Virginia Polytechnic Institute and State University
Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority

Nonmajor Component Units include those listed on pages 242-243 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Component Units

June 30, 2008

(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute and State University
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 139,991	\$ 15,867	\$ 176,611	\$ 137,877
Investments (Notes 1 and 6)	122,938	3,008,767	6,076,073	142,480
Receivables, Net (Notes 1 and 7)	7,912,925	68,683	175,833	89,637
Contributions Receivable, Net (Note 8)	-	-	100,869	72,235
Due from Primary Government (Note 9)	-	-	17,838	17,676
Due from Component Units (Note 9)	-	-	8,085	5,572
Inventory (Note 1)	-	-	23,116	20,382
Prepaid Items (Note 1)	-	-	17,031	10,064
Other Assets (Notes 1 and 10)	44,445	-	20,121	2,801
Loans Receivable from Primary Government (Notes 1 and 9)	-	173,090	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	971,679	80,085	192,862	148,006
Restricted Investments (Notes 6 and 11)	113,853	-	494,429	540,104
Other Restricted Assets (Note 11)	16,969	-	-	11,830
Nondepreciable Capital Assets (Notes 1 and 12)	2,936	-	553,869	171,151
Depreciable Capital Assets, Net (Notes 1 and 12)	18,587	-	1,786,350	846,960
Total Assets	9,344,323	3,346,492	9,643,087	2,216,775
Liabilities				
Accounts Payable (Notes 1 and 21)	20,783	20	344,581	111,652
Amounts Due to Other Governments	-	65,821	-	-
Due to Primary Government (Note 9)	-	-	-	-
Due to Component Units (Note 9)	-	-	-	-
Unearned Revenue (Note 1)	-	-	92,235	43,990
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	476,858	19,203
Other Liabilities (Notes 1 and 22)	107,508	64,157	701,295	40,880
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	-
Claims Payable (Notes 1 and 20):				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities (Notes 1, 19, and 23):				
Due Within One Year	366,708	260,592	95,442	57,788
Due in More Than One Year	6,807,554	2,942,586	1,168,293	417,910
Total Liabilities	7,302,553	3,333,176	2,878,704	691,423
Net Assets				
Invested in Capital Assets, Net of Related Debt	(3,701)	-	1,466,291	705,758
Restricted For:				
Nonexpendable:				
Higher Education	-	-	801,141	295,136
Other	-	-	-	-
Expendable:				
Higher Education	-	-	2,722,200	469,565
Gifts and Grants	-	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Bond Indenture	1,854,543	-	-	-
Other	-	-	-	-
Unrestricted	190,928	13,316	1,774,751	54,893
Total Net Assets	\$ 2,041,770	\$ 13,316	\$ 6,764,383	\$ 1,525,352

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

Virginia Commonwealth University	Nonmajor Component Units	Total
\$ 334,005	\$ 908,588	\$ 1,712,939
381,066	761,891	10,493,215
226,623	2,610,456	11,084,157
32,184	133,161	338,449
19,052	292,019	346,585
9,272	19,829	42,758
13,133	26,608	83,239
7,272	55,865	90,232
17,046	75,740	160,153
-	-	173,090
158,915	1,100,246	2,651,793
439,674	2,263,592	3,851,652
19,626	118,080	166,505
354,136	1,473,418	2,555,510
890,375	4,340,511	7,882,783
2,902,379	14,180,004	41,633,060
138,178	393,977	1,009,191
-	6,685	72,506
-	926	926
-	42,758	42,758
17,302	117,718	271,245
6,701	104,561	607,323
84,931	159,941	1,158,712
2,786	12,855	15,641
48,562	-	48,562
44,216	-	44,216
60,152	335,508	1,176,190
732,911	5,482,208	17,551,462
1,135,739	6,657,137	21,998,732
645,153	3,626,850	6,440,351
239,209	838,122	2,173,608
-	90,560	90,560
285,546	1,055,454	4,532,765
-	25,014	25,014
-	6,466	6,466
-	1,513,972	1,513,972
-	66,117	66,117
-	-	1,854,543
-	96,141	96,141
596,732	204,171	2,834,791
\$ 1,766,640	\$ 7,522,867	\$ 19,634,328

Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Program Revenues				Net (Expenses) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Virginia Housing Development Authority	\$ 553,484	\$ 507,271	\$ 135,018	\$ -	\$ 88,805
Virginia Public School Authority	157,145	149,824	-	-	(7,321)
Higher Education:					
University of Virginia	2,538,660	1,751,988	653,298	32,247	(101,127)
Virginia Polytechnic Institute & State University	1,067,365	468,638	291,210	19,048	(288,469)
Virginia Commonwealth University	2,050,703	1,684,444	202,341	48,794	(115,124)
Total Higher Education	5,656,728	3,905,070	1,146,849	100,089	(504,720)
Nonmajor Component Units:					
Higher Education	3,627,658	1,520,602	512,084	275,577	(1,319,395)
Other	722,235	530,565	1,819	65,908	(123,943)
Total Nonmajor Component Units	4,349,893	2,051,167	513,903	341,485	(1,443,338)
Total Component Units	\$ 10,717,250	\$ 6,613,332	\$ 1,795,770	\$ 441,574	\$ (1,866,574)

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

General Revenues					
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings (Note 1)	Miscellaneous	Tobacco Master Settlement	Contributions to Permanent / Term Endowments
\$ -	\$ -	\$ (17,329)	\$ 61	\$ -	\$ -
-	-	4,159	-	-	-
179,610	-	147,050	4,273	-	59,073
266,985	5,906	15,700	16,562	-	25,167
219,482	2,973	16,613	552	-	12,215
666,077	8,879	179,363	21,387	-	96,455
1,251,381	45,939	42,749	28,270	-	41,596
87,401	5,671	51,583	845	12,672	15,004
1,338,782	51,610	94,332	29,115	12,672	56,600
\$ 2,004,859	\$ 60,489	\$ 260,525	\$ 50,563	\$ 12,672	\$ 153,055

Continued on next page

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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Changes in Net Assets	Net Assets July 1 as restated (Note 2)	Net Assets June 30
Virginia Housing Development Authority	\$ 71,537	\$ 1,970,233	\$ 2,041,770
Virginia Public School Authority	(3,162)	16,478	13,316
Higher Education:			
University of Virginia	288,879	6,475,504	6,764,383
Virginia Polytechnic Institute & State University	41,851	1,483,501	1,525,352
Virginia Commonwealth University	136,711	1,629,929	1,766,640
Total Higher Education	467,441	9,588,934	10,056,375
Nonmajor Component Units:			
Higher Education	90,540	4,092,653	4,183,193
Other	49,233	3,290,441	3,339,674
Total Nonmajor Component Units	139,773	7,383,094	7,522,867
Total Component Units	\$ 675,589	\$ 18,958,739	\$ 19,634,328

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

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Notes to the Financial Statements

June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

B. Reporting Entity

For financial reporting purposes, the Commonwealth of Virginia's (the "Commonwealth's") reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government (discrete component units). The funds of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB Statement No. 39) requires the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government.

Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, and the Commonwealth's ability to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth.

(1) Primary Government – A primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, and departments are, for financial reporting purposes, part of the primary government.

(2) Blended Component Units – Though legally separate entities, these component units are, in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. The Commonwealth's only blended component unit is:

Virginia Public Building Authority (VPBA) (nonmajor governmental fund) – The authority was created as a body politic and corporate and is fiscally independent. A government instrumentality, the authority finances the acquisition and construction of buildings for the use of the Commonwealth and other approved purposes. The Governor appoints the seven-member board, and the primary government is able to impose its will on the authority. The Auditor of Public Accounts audits the authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218-1879.

(3) Discrete Component Units – Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discrete component units serve or benefit those outside of the primary government.

GASB Statement No. 39 generally requires any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting entity as non-profit charitable organizations and exist solely to support the Commonwealth's higher education institutions, museums, and the Library of Virginia. The higher education institution non-profit organizations are included in the applicable higher education institution's column in the accompanying financial statements. The museum foundations, and the Library of Virginia Foundation, which are discretely presented, are more fully described later in this footnote. In all instances where separate disclosure of these non-profit organizations is

required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "foundations." Discretely presented component units are:

Higher Education Institutions – The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the state provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations from Primary Government of approximately \$1.92 billion and reported Program Revenue – Capital Grants and Contributions of approximately \$221.0 million from the primary government. Therefore, there is a financial benefit/burden to the primary government. The bonds issued to finance the construction of these facilities are obligations of the state. The major higher education institutions are: University of Virginia, including the University of Virginia Hospital and the University of Virginia's College at Wise; Virginia Polytechnic Institute and State University; and Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority. The nonmajor higher education institutions are: the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; University of Mary Washington; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center, Roanoke Higher Education Authority, Institute for Advanced Learning and Research, Southern Virginia Higher Education Center, and New College Institute are also included as nonmajor higher education institutions. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. As previously noted, certain foundations are considered component units of the higher education institutions, and are included in the accompanying financial statements as well as the higher education institutions' individually published financial statements. The Auditor of Public Accounts (APA) does not audit the Roanoke Higher Education Authority, the Institute for Advanced Learning and Research, and the component units of the higher education institutions, including foundations, but relies on the reports issued by other auditors to render his opinion.

The APA audits the colleges and universities, and individual reports are issued under separate cover. Complete financial statements for each institution may be obtained from their respective administrative offices. The addresses for these institutions may be obtained from the Virginia Department of Accounts, 101 North 14th Street, Richmond, Virginia 23219-3638.

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

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

Virginia Economic Development Partnership (VEDP) (nonmajor) – The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of commerce in the Commonwealth. The Governor appoints the 15-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the partnership, and a separate report is issued.

Virginia Outdoors Foundation (nonmajor) – The foundation was created as a body political and is administratively assigned to the

Department of Conservation and Recreation (part of primary government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the seven-member board of trustees, and the primary government can impose its will on the foundation. The administrative offices of the foundation are located at 900 South Main Street, Blacksburg, Virginia 24060. Goodman and Company, LLP, audits the foundation, and a separate report is issued.

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

Virginia Resources Authority (VRA) (nonmajor) – The Authority was created as a statewide public body corporate political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and recycling. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219. PBGH, LLP audits the Authority, and a separate report is issued.

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

Virginia Tobacco Settlement Foundation (nonmajor) – The foundation was created as a body corporate and as a political subdivision of the Commonwealth. The foundation was established to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund and to distribute monies in this fund for such efforts as restricting the use of tobacco products by minors and the enforcement of laws restricting the distribution of tobacco products to minors. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia, 23219. The Auditor of Public Accounts audits the foundation, and a separate report is issued.

Tobacco Indemnification and Community Revitalization Commission (nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund is to provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns, and lost tobacco production opportunities. It also provides monies to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Commission, and a separate report is issued.

Hampton Roads Sanitation District Commission (nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing board of the district, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the district and operates a sewage system for 17 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1436 Air Rail Avenue, Virginia Beach, Virginia 23455. KPMG, LLP, audits the Commission, and a separate report is issued.

Virginia Biotechnology Research Partnership Authority (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in the development of a biotechnology research park. The Governor appoints the board members of the Authority, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 800 East Leigh Street, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Small Business Financing Authority (SBFA) (nonmajor) – The Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 707 East Main Street, Suite 300, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Schools for the Deaf and Blind Foundation (nonmajor) – The Foundation operates as a non-private educational and fundraising organization solely in connection with, and exclusively for the benefit of the Virginia School for the Deaf and Blind at Staunton (part of primary government) and the Virginia School for the Deaf, Blind and Multi-Disabled at Hampton (part of primary government), and within the jurisdiction and management of the Virginia Board of Education. The Foundation uses a December 31 calendar year-end. The administrative offices of the Foundation are located at the Virginia Department of Education, 101 North 14th Street, 25th Floor, Richmond, Virginia, 23219. The Auditor of Public Accounts audits the Foundation along with the audit of the Department of Education, and a separate report is issued.

Science Museum of Virginia Foundation (nonmajor) – The Foundation is a non-stock, non-profit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). The administrative offices of the Foundation are located at the Science Museum of Virginia, Post Office Box 11624, Richmond, Virginia 23230. Cherry, Bekaert, & Holland, LLP, audits the Foundation, and a separate report is issued.

Belmont Bay Science Center Foundation (nonmajor) – The Foundation is a non-stock, non-profit corporation formed under the *Code of Virginia* for the purpose of implementing and funding those programs, projects and operations to educate the students about science that are authorized and approved by the trustees of the Science Museum of Virginia. Resources for the Foundation's activities are primarily provided by charitable contributions and investment income. The administrative offices of the Foundation are located at 751 Norwood Lane, Woodbridge, Virginia 22191. Cherry, Bekaert, & Holland, LLP, audits the Foundation, and a separate report is issued.

Danville Science Center, Inc. (nonmajor) – The Foundation is non-profit corporation formed for the purpose of implementing and funding those programs, projects and operations which are authorized and approved by the trustees of the Science Museum of Virginia. The administrative offices of the Foundation are located at 657 Craghead Street, Post Office Box 167, Danville, Virginia 24541. Goodman and Company, LLP, audits the Foundation, and a separate report is issued.

Virginia Museum of Fine Arts Foundation (nonmajor) – The Foundation operates as a non-profit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (part of primary government) has the space and resources for art to help improve the quality of life for many. The administrative offices of the Foundation are located at 200 North Boulevard, Richmond, Virginia 23220. Goodman and Company, LLP, audits the Foundation, and a separate report is issued.

A. L. Philpott Manufacturing Extension Partnership (nonmajor) – The partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for

interfirm collaboration. Further, the partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The partnership has a 23-member board of trustees. The board consists of the presidents of two public four-year institutions of higher education; three community college presidents; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and fifteen citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at Patrick Henry Community College, 645 Patriot Avenue, Post Office Box 5311, Martinsville, Virginia 24115-5311. The Auditor of Public Accounts audits the partnership, and a separate report is issued.

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

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

Fort Monroe Federal Area Development Authority (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in formulating a reuse plan for Fort Monroe. The Governor appoints a majority of the 18-member board and there is a potential financial benefit/burden to the primary

government. The administrative offices of the Authority are located at Old Quarters #1, 151 Bernard Road, Fort Monroe, Virginia 23651. Robinson, Farmer, Cox Associates audits the Authority, and a separate report is issued.

Assistive Technology Loan Fund Authority (nonmajor) – The Authority was created as a political subdivision and public body corporate by the *Code of Virginia*. The Governor appoints the board of directors as directed by the *Code*. The Authority manages a fund to provide loans to individuals to acquire assistive technology, other equipment, or other authorized purposes designed to help disabled individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 107, Richmond, Virginia 23229. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia National Defense Industrial Authority (nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority fosters and promotes business, technology, transportation, education, economic development and other efforts in support of the mission, execution, and transformation of the United States military and national defense activities located in the Commonwealth. The Governor appoints a majority of the 16-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Coalfield Coalition Authority (nonmajor) – The Authority was created as a body corporate and as a political subdivision of the Commonwealth. Its goals are to build a diverse, prosperous, self-reliant and globally competitive economy in Virginia's coalfield region through regional cooperation. The Governor appoints the 11-member board as directed by the *Code of Virginia*. The administrative offices of the Authority are located at Post Office Box 548, Lebanon, Virginia 24266. Bostic, Tucker and Company, P.C., audits the Authority. However, as of June 30, 2008, the Authority has disbanded and is no longer in operation.

Virginia Land Conservation Foundation (nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (part of primary government) by acquiring interests in preservation land and providing grants to other entities to acquire interests in preservation land. The Governor appoints the

18-member board, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 203 Governor Street, Suite 302, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

Virginia Arts Foundation (nonmajor) – The Foundation was created as a body politic and corporate to serve the Virginia Commission for the Arts (part of primary government) by promoting the arts in the Commonwealth. The Governor appoints the board of trustees for the Virginia Commission for the Arts, which also serves as the board for the Virginia Arts Foundation. The Director of the Virginia Commission for the Arts serves as the board chairman. In addition, the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 223 Governor Street, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Virginia Commission for the Arts.

Library of Virginia Foundation (nonmajor) – The Foundation was created as a private, non-profit 501 (c) (3) corporation supporting the Library of Virginia. The Foundation was established upon receipt of a major bequest. The articles of incorporation stipulate that the Foundation shall at all times be operated solely in connection with, and exclusively for the benefit of the Library of Virginia. The Foundation is governed by a separate board of directors and promotes and supports the Library of Virginia in all activities. The administrative offices of the Foundation are located at 800 East Broad Street, Richmond, Virginia 23219. Barcalow & Hart, PLLC, audits the Foundation, and a separate report is issued.

Innovative Technology Authority (ITA) (nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the state's institutions of higher education and private industry in the Commonwealth. In addition, the Authority serves to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor appoints the 16-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a non-stock,

not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia College Building Authority (VCBA) (nonmajor) – The Authority was created as a public body corporate, a political subdivision, and an agency and instrumentality of the Commonwealth. The Governor appoints a majority of the board and members serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Authority finances certain capital projects and equipment purchases of state-supported colleges and universities. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218-1879.

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the financial statements. The state-supported colleges and universities reported revenue from the Authority of \$78.6 million as Program Revenue Capital Grants and Contributions for the 21st Century Program and \$59.4 million as Program Revenue Operating Grants and Contributions for equipment. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the primary government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling \$455.3 million, is not included in the financial statements.

- (4) **Related Organizations** – Organizations for which the primary government appoints a majority of the board, but is not financially accountable, are related organizations. Related organizations are:

Tobacco Settlement Financing Corporation – The corporation was created by the Tobacco Settlement Financing Corporation Act, Chapters 482 and 488 of the Acts of the General Assembly of the Commonwealth of Virginia (Commonwealth) during the 2002 General Assembly Session. The corporation is a public body corporate entity and an independent instrumentality of the Commonwealth, managed by a six-member board, including the State Treasurer. The corporation purchased all of the future tobacco

settlement revenue allocated to the Tobacco Indemnification and Community Revitalization Commission, a discrete component unit of the Commonwealth. Neither the Commonwealth's nor the Virginia Tobacco Settlement Foundation's (component unit) tobacco revenue was securitized. The administrative offices of the corporation are located at 101 N. 14th Street, 3rd Floor, Post Office Box 1879 Richmond, Virginia 23218-1879. PBGH, LLP audits the corporation, and a separate report is issued.

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

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

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

Virginia Birth-Related Neurological Injury Compensation Program – The program was created to provide a no-fault alternative for birth-related neurological injuries. The Governor appoints the seven-member board. The administrative offices of the program are located at 7501 Boulders View Drive, Suite 210, Richmond, Virginia 23225. Cherry, Bekaert, & Holland, LLP, audits the program, and a separate report is issued.

Chesapeake Bay Bridge and Tunnel Commission – The commission was created to establish policy and administer operations of the Chesapeake Bay Bridge Tunnel District. Any of the 11 members of the commission appointed or reappointed on or after July 1, 1998, shall be appointed by the Governor, subject to confirmation by each house of the General Assembly. The administrative offices of the commission are located at Post Office Box 111, 32386 Lankford Highway, Cape Charles, Virginia 23310. KPMG, LLP, audits the commission, and a separate report is issued.

C. Government-wide and Fund Financial Statements

The Government-wide Financial Statements, the Statement of Net Assets and the Statement of Activities, report information on all nonfiduciary activities of the primary government and component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Also, the primary government activity is reported separately from the legally separate component units for which the Commonwealth is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a specific function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit, as well as investment income generated by operations. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items properly excluded from program revenues are reported as general revenues.

Net assets are restricted when constraints are placed on them that are imposed by external parties or constitutional provisions. Designations solely imposed by the Commonwealth's management are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, the Commonwealth's policy is to use the restricted resources first. Some institutions of higher education may follow a different policy.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. However, fiduciary funds are not included in the government-wide statements. Major governmental funds, enterprise funds, and component units are reported as separate columns in the fund financial statements, with nonmajor funds being aggregated into a single column.

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year (or one year for Medicaid). Significant revenues subject to accrual include federal grants and income and sales taxes. Income tax revenues for tax underpayments are only recognized to the extent of the primary government's estimated refunds for tax overpayments received. Revenues that the primary government earns by incurring obligations are recognized in the same period as when the obligations are recognized.

Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when the payment is due.

The primary government reports the following major governmental funds:

General Fund – Accounts for the transactions related to resources received and used for those services traditionally provided by a state government, and which are not accounted for in any other fund. These services include general government, legislative and judicial activities, public safety, health and mental health programs, resources and economic development, licensing and regulation, and primary and secondary education.

Commonwealth Transportation Special Revenue Fund – Accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is received from highway user taxes, fees, and funds received from the federal government.

Federal Trust Special Revenue Fund – Accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education.

Literary Fund Special Revenue Fund – Accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements – The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the full accrual basis of accounting. As with the government-wide statements, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus since they only report assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for reporting their enterprise funds (including component units reporting as business-type activities). All enterprise funds reported herein, with the exception of the State Lottery (major enterprise fund), Mental Health Local Funds (nonmajor enterprise fund), the Virginia Port Authority (nonmajor component unit), the A. L. Philpott Manufacturing Extension Partnership (nonmajor component unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major), and the Innovative Technology Authority (nonmajor component unit) apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The State Lottery (major enterprise fund), Mental Health Local Funds (nonmajor enterprise fund), the Virginia Port Authority (nonmajor component unit), the A. L. Philpott Manufacturing Extension Partnership (nonmajor component unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major), and the Innovative Technology Authority (nonmajor component unit) apply all of these pronouncements, and also apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Foundations' (component units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. FASB rather than GASB pronouncements are followed. In some instances, activities of the foundations (component units) are reported separately within the footnotes because of the different reporting standards. Also, some foundations (component units) have a calendar rather than a fiscal year-end. Foundations (component units) with a calendar year-end are included in these financial statements for the year ending December 31, 2007. Significant intrafund activity/balances between each higher education institution and their foundations have been eliminated. However, Old Dominion University (nonmajor component unit) reported the following intrafund balances that could not be eliminated because of differing year-ends: institution assets of \$72.5 million and liabilities of \$72.4 million, and foundation assets of \$58.1 million and liabilities of \$73.9 million.

The primary government reports the following major enterprise funds:

State Lottery Fund – Accounts for all receipts and expenses of the State Lottery.

Virginia College Savings Plan Fund – Administers the Virginia Prepaid Education Program.

Unemployment Compensation Fund – Accounts for receipts from employers and expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the primary government reports the following fund types:

Governmental Fund Types:

Special Revenue Funds – Account for transactions related to resources received and used for restricted or specific purposes.

Debt Service Funds – Account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations.

Capital Project Funds – Account for transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds. The primary resource for these funds is the proceeds of bond issues and energy performance contracts. Principal uses are for construction and improvement of state office buildings, correctional and mental health facilities, and parks.

Permanent Funds – Account for transactions of the Commonwealth Health Research Fund, the Prescription Monitoring Fund, and the Mental Health Endowment Funds whose principal must be maintained intact and whose income is used to benefit the Commonwealth's citizens and mental health patients.

Proprietary Fund Types:

Enterprise Funds – Account for transactions related to resources received and used for financing self-supporting activities of the primary government that offer products and services on a user-charge basis to external users.

Internal Service Funds – Account for transactions related to the financing and sale of goods or services provided by the agencies of the primary government to other agencies and institutions of the Commonwealth. Activities include the provision of information technology, manufacturing activities, insurance programs, fleet services, facilities and property management, and engineering services.

Fiduciary Fund Types:

Private Purpose Trust Funds – Account for transactions of all other trust arrangements in which the principal and income benefit individuals, private organizations, or other governments. These trusts include those for escheat property, educational savings plans, and others.

Pension and Other Employee Benefit Trust Funds – Account for transactions of the Commonwealth administered retirement systems and other employment benefits.

Investment Trust Fund – Accounts for the external portion of the Local Government Investment Pool that is sponsored by the Commonwealth.

Agency Funds – Account for amounts held in trust by the primary government for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits, deposits of insurance carriers, child support collections and other miscellaneous accounts.

E. Budgetary Process

Budgetary amounts shown in the Required Supplementary Information and Combining and Individual Fund Statements and Schedules Sections represent the total of the original budgeted amounts and all supplemental appropriations. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the *Code of Virginia*, submits a budget composed of all proposed expenditures for the Commonwealth, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary (major) – Special Revenue Fund. Formal budgetary integration is not employed for the Capital Projects (nonmajor), Debt Service (nonmajor), Permanent Funds (nonmajor), and the Literary – Special Revenue (major) because effective budgetary control is alternatively achieved through the General Fund and the remaining Special Revenue Funds.

The budget is prepared on a biennial basis; however, the budgets of the General and Special Revenue Funds contain separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a

state agency or from one state agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations.

F. Cash, Cash Equivalents, and Investments

Cash

In order to maximize the Commonwealth's earning potential, the majority of the primary government's cash balances are pooled together in the general account for investment purposes. The amounts required for operations are liquidated as needed. Since all amounts not required for operations are held in investment securities, it is possible that the cash balances could be negative due to timing differences in liquidating the investments.

As of June 30, 2008, the General Fund had a negative cash balance of \$4.7 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the primary government's cash equivalents and investments (see Note 6).

Cash Equivalents

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

Investments

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

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

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

and the VRS' share of their earnings (losses) for the period is included in investment income using the equity method.

Investments of higher education institutions (component units) are reported at fair value, except for money market investments and investments in the Commonwealth sponsored investment pools, which are reported at amortized cost.

Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes (see Note 6).

G. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as federal receivables of the primary government's Medicaid program. Receivables in the proprietary funds consist primarily of tuition contribution receivables. Receivables of fiduciary funds are primarily the accrual of member and employer contributions in the Pension and Other Employee Benefit Trust Funds and the accrual of local sales taxes in the Agency Funds. Receivables of the component units consist primarily of mortgage receivables, loan receivables, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 7).

H. Contributions Receivable, Net

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

I. Internal Balances

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities (see Note 9).

J. Inventory

Inventories consist of materials and supplies and are reported as expenditures when consumed. These assets are offset by a fund balance reserve that indicates they are not available for spending. Inventories exceeding \$1 million of the General and the Special Revenue Funds are maintained at cost using the first-in, first-out (FIFO) methodology, except for the following:

- Department of State Police (VSP)
- Virginia Department of Transportation (VDOT)
- Department of Health (VDH)
- Department for the Blind and Vision Impaired (DBVI)

VSP inventories are recorded in the General (major) and Other Special Revenue (nonmajor) Funds using the average cost methodology and are maintained at cost. VDOT inventories are recorded in the Commonwealth Transportation Fund (major) using the FIFO and average cost methodologies and are maintained at either cost or average cost. VDH inventories are recorded in the General (major), Health and Social Services Special Revenue (nonmajor), and Federal Trust (major) Funds. These inventories are maintained at cost based on either FIFO or the average cost methodology. DBVI inventories are maintained at cost or average cost based on the FIFO methodology and are recorded in the General (major) and Health and Social Services Special Revenue (nonmajor) Funds.

Inventories maintained by Correctional Enterprises (internal service fund) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Museum of Fine Arts (nonmajor enterprise fund), the Science Museum of Virginia (nonmajor enterprise fund), the Consolidated Laboratory (nonmajor enterprise fund), and the Library of Virginia (nonmajor enterprise fund) are stated at cost using FIFO. Inventories maintained by the internal service funds except for Correctional Enterprises are stated at cost using FIFO.

Inventories maintained by the Department of Alcoholic Beverage Control (nonmajor enterprise fund) are stated at average cost using FIFO.

The Virginia Industries for the Blind (nonmajor enterprise fund) maintains inventories at cost using the average cost methodology.

Institutions of higher education (component units) use several methods for inventory valuations, including cost using FIFO, the lower of cost or market using FIFO, or weighted average methods. Inventories maintained by the Virginia Horse Center Foundation (nonmajor component unit) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Port Authority (nonmajor component unit) are reported using the moving average cost methodology.

K. Prepaid Items

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

L. Interfund Loans Receivable/Payable

Loans Receivable/Payable represents working capital advances from one fund to another (see Note 9).

M. Other Assets

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere (see Note 10).

N. Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Assets. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 12).

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

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

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

The primary government capitalizes construction-in-progress when project expenditures exceed \$100,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. Expenditures are classified as construction-in-progress if:

- (1) they extend the asset life, improve productivity, or improve the quality of service; and,
- (2) they fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation or demolition phase of the asset life.

The estimated lives of capital assets are as follows:

	<u>Years</u>
Buildings	10-75
Equipment	2-50
Infrastructure	5-50

Selected agencies, business-type entities, and component units may utilize estimated lives and policies that differ from the above for various reasons.

O. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, accounts payable also includes payments for nonexchange transactions that met eligibility requirements prior to year-end (see Note 21).

P. Unearned and Deferred Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2008. Deferred revenue represents revenues accrued but not available to finance expenditures of the current fiscal period. The majority of unearned revenue is reported by higher education institutions (component unit), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. In the General Fund (major), deferred revenue represents receivables that will be

collected after August 31, 2008. In the Special Revenue Funds, unearned revenue is composed primarily of federal grant money received but not spent. In the enterprise funds, a majority of unearned revenue represents on-line ticket monies received by the State Lottery (major) for which corresponding drawings have not been held and unearned revenues of Consolidated Laboratory (nonmajor). In the internal service funds, it represents primarily unearned premiums for the Risk Management Fund and prepaid rent and work orders for the Property Management Fund. Additionally, in the Virginia Information Technologies Agency internal service fund, unearned revenue relates to the transfer and purchase of assets for transition agencies and advanced customer receipts. Unearned revenues in the other component units consist primarily of the deferral of fees related to various activities.

Q. Deferred Taxes

Deferred taxes represent the deferral of income taxes withheld or received for the period January through June 2008. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated overpayments total \$699,511,074 and estimated underpayments total \$505,014,262. This results in deferred taxes of \$194,496,812.

Corporate income tax estimated overpayments total \$12,279,525 and estimated underpayments total \$57,851,572. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for corporate income taxes, the deferred tax amount is zero for the fiscal year.

R. Obligations Under Securities Lending Program

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, liabilities resulting from these transactions have been recorded as obligations under securities lending transactions.

S. Other Liabilities

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year-end (see Note 22).

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the primary government. The primary government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. For fiscal year 2008, the primary government's agencies did not participate

in short-term borrowings with external parties. Higher education institutions' foundations (component units) have short-term debt outstanding as of year-end that amount to approximately \$67.6 million. Also, the University of Virginia (major component unit) reports \$17.6 million and the Virginia Polytechnic Institute and State University (major component unit) reports \$2.0 million of commercial paper that provides bridge financing for capital projects. The Roanoke Higher Education Authority (nonmajor component unit) reports \$1.4 million of short-term debt for a construction loan. The Virginia Horse Center Foundation (nonmajor component unit) reported a \$250,000 short-term working capital line of credit loan.

T. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2008. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the primary government's liability insurance programs are reported in the Risk Management – internal service fund and the Risk Management – nonmajor enterprise fund. Also, health insurance claims are reported in the Health Care – internal service fund and the Local Choice Health Care – nonmajor enterprise fund (see Notes 20.A. and 20.B.). Claims payable reported by the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit) represents estimated malpractice, workers' compensation, and medical claims payable amounts.

U. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources that represent payments to employees for separations that occurred prior to June 30. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 23).

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In these fund

statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 23).

V. Reserved Fund Balances

Reserved fund balances indicate that portion of fund balance that is not available to fund operations or is legally segregated for specific future use. Fund balance reservations are not specifically denoted in instances where the nature of the fund dictates the entire amount is reserved.

W. Unreserved, Designated Fund Balances

Designations of fund balance, as shown in Note 4, are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the primary government to designate the portion of fund balance set aside by the General Assembly through the Appropriation Act to fund tentative but approved future plans. Unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund balance. It is the policy of the primary government to limit such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur.

X. Unreserved, Undesignated Fund Balances

The unreserved, undesignated basis of budgeting fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated fund balance described in Notes 1.V. and 1.W. above.

Y. Cash Management Improvement Act

Included in "Due to Other Governments" is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on or before March 1, 2009. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the annualized average earnings rate of 13-week Treasury Bills.

Z. Investment Income

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

AA. Intrafund Eliminations

Eliminations have been incorporated into the report to eliminate intrafund transactions within the related fund type. These eliminations prevent overstatement of financial activity.

BB. Interfund Activity

Generally, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions.

In the fund financial statements, transfers represent the movement of resources between funds. For example, transfers are recorded when a fund receives revenue and subsequently disburses the resources to another fund for expenditure.

2. RESTATEMENT OF BEGINNING BALANCES

The government-wide beginning balance restatements for governmental activities resulted from a correction of prior year errors regarding the understatement of capital assets of \$22.7 million due primarily to various agencies not recording assets at the time of acquisition. The government-wide and fund statement beginning balance restatements for component units is the result of a \$19.5 million increase for the correction of errors related to prior year accruals and a decrease of \$8.6 million primarily for a duplicate building capitalization resulting in a net restatement of \$10.9 million for the College of William and Mary (nonmajor component unit).

Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2007	Correction of Prior Year Errors	Balance June 30, 2007 as restated
Government-wide Activities:			
Primary Government:			
Governmental Activities	\$ 16,671,527	\$ 22,713	\$ 16,694,240
Business-type Activities	1,114,428	-	1,114,428
Total Primary Government	<u>\$ 17,785,955</u>	<u>\$ 22,713</u>	<u>\$ 17,808,668</u>
Component Units	<u>\$ 18,947,819</u>	<u>\$ 10,920</u>	<u>\$ 18,958,739</u>
Fund Statements - Component Units:			
Virginia Housing Development Authority	\$ 1,970,233	\$ -	\$ 1,970,233
Virginia Public School Authority	16,478	-	16,478
University of Virginia	6,475,504	-	6,475,504
Virginia Polytechnic Institute and State University	1,483,501	-	1,483,501
Virginia Commonwealth University	1,629,929	-	1,629,929
Nonmajor Component Units	7,372,174	10,920	7,383,094
Total Component Units	<u>\$ 18,947,819</u>	<u>\$ 10,920</u>	<u>\$ 18,958,739</u>

3. DEFICIT FUND BALANCES / NET ASSETS

The State Lottery (major enterprise fund) and Department of Alcoholic Beverage Control (nonmajor enterprise fund) ended the year with deficit net assets of \$3.5 million and \$10.3 million, respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Virginia College Savings Plan (major enterprise fund) ended the year with a deficit net assets balance of \$52.6 million. This decrease is mostly attributable to the projected unfunded actuarial liability calculated by the plan's actuary. The plan shifted from a surplus of

\$121.6 million as reflected at the end of the prior fiscal year. The change in the projected tuition benefits payable liability is mostly attributable to investment losses and a change in the tuition growth assumption, offset somewhat by revenue from new contract sales.

The Library of Virginia (nonmajor enterprise fund) ended the year with a deficit net assets balance of \$162,470. This is attributable to start-up costs and other operating expenses exceeding revenues.

The Property Management Fund (internal service fund) ended the year with a deficit net assets balance of \$5.9 million. This deficit was the result of the purchase of a leasehold interest in a state-owned building in fiscal year 2006.

The Risk Management Fund (internal service fund) ended the year with a deficit net assets balance of \$301.6 million. The deficit was the result of the Worker's Compensation Program having estimated claims payable exceeding the available equity in the fund.

Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Virginia College Building Authority (nonmajor component unit) ended the year with a deficit net assets

balance of \$820.9 million. This deficit occurs because the Authority issues bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security.

4. GENERAL FUND ANALYSIS – BASIS OF BUDGETING

The following schedule represents reservations and designations of General Fund balance on the basis of budgeting.

Reservations and Designations of Fund Balance			
General Fund, Basis of Budgeting			
June 30, 2008			
(Dollars in Thousands)			
Reserved Fund Balance:			
Revenue Stabilization Reserve Fund	\$	1,014,870	
Revenue Stabilization Reserve 2007		21,321	
Payroll Reserve for July 1, 2008 Payroll		91,717	
Total Reserved Fund Balance			1,127,908
Unreserved Fund Balance:			
Designated:			
Amount Required for Reappropriation of 2008			
Unexpended Balances for Capital Outlay		382,932	
Central Capital Planning Fund		50,000	
Natural Disaster Sum Sufficient		21,100	
Amount Required by Chapter 879		149,785	
Amount Required for Mandatory Appropriation		417,138	
Virginia Water Quality Improvement Fund - Part A		1,589	
Virginia Water Quality Improvement Fund - Part B		6,934	
FY 2008 Budget Reductions Designated for FY 2009			
Budget Reductions		17,069	
Discretionary Reappropriations		45,335	
Total Designated Fund Balance			1,091,882
Fund Balance, June 30, 2008	\$		2,219,790

5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. The General Assembly has appropriated \$21.3 million for deposit into the fund during fiscal year 2009. This amount was computed under the provisions of Article X section 8 on the *Constitution of Virginia*. During fiscal year 2008, in accordance with the provisions of Article X, Section 8 of the *Constitution* and Section 2.2-1830 of the *Code of Virginia*, a withdrawal of \$351.5 million was made from the fund.

The *Constitution* requires a deposit based on growth in income and retail sales tax revenue and allows revenue growth from increases in tax rates or the repeal of

exemptions to be excluded, in whole or part, from the deposit calculation for up to six years. A deposit is not required based on fiscal year 2008 revenue collections when revenue increases from tax reform were included or excluded, including those derived from estimates.

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the fund when specific criteria have been met. No such designation is required since the specified criteria were not met for fiscal year 2008.

The Revenue Stabilization Fund has principal and interest on deposit of \$1.0 billion reserved as a part of General Fund balance. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The

maximum amount allowed is \$1.3 billion and \$1.4 billion for fiscal year 2008 and fiscal year 2009, respectively.

6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2008, the carrying amount of cash for the primary government was \$4,043,183,730 and the bank balance was \$289,747,247. The carrying amount of cash for component units was \$816,578,569 and the bank balance was \$400,843,746. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled \$399,812,066 as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note.

For purposes of this note, primary government includes governmental, business-type activities, and fiduciary funds. The deposits of the primary government and the component units, excluding foundations (component units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50 percent to 100 percent of public deposits in the case of a bank and 100 percent to 110 percent for a savings institution. During the fiscal year, there was an unrealized loss of \$3.9 billion, \$3.9 billion, and \$58.9 million attributable to Virginia Retirement System (VRS), Virginia College Savings Plan, and the Treasurer's Portfolio, respectively. As stated in Note 1. Z., unrealized losses for the Treasurer's Portfolio are recorded in the General Fund.

Securities pledged by banks and savings institutions, under the act, are held by an approved escrow agent for the Treasury Board. In the event a depository bank defaults or becomes insolvent, the Treasury Board first assesses the collateral of the defaulting or insolvent institution and then assesses the collateral pledged by other public depositories on a statutory based ratio to the extent necessary to satisfy the assessment against the defaulting bank. The collateral pledged by all banks is sufficient to cover the uncollateralized public deposits of any single bank. Upon default or insolvency of a savings institution, the Treasury Board assesses the institution the amount of public funds on deposit in excess of FDIC insurance. The State Treasurer liquidates the necessary pledged collateral of the institution to reimburse public depositors to the extent of the institution's deposit liability to them. As a result, these deposits are considered insured.

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.1–32.8 et seq. of the *Code of Virginia*. The act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers

securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

The Commonwealth is authorized, in accordance with the guidelines set forth in Section 2.2-4500 et seq. of the *Code of Virginia*, to invest public funds in the following:

- U.S. Treasury and agency securities
- Corporate debt securities
- Asset-backed securities
- Mortgage-backed securities
- Municipal securities
- AAA rated obligations of foreign governments
- Bankers' acceptances and bank notes
- Negotiable certificates of deposit
- Repurchase agreements
- Money market funds

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

Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing, and reinvestment risks of these securities.

Certain investments held in trust by the Treasurer of Virginia in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of institutions of higher education (component units) are established by the institutions' governing boards.

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

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

Custodial Risk

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

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

As of June 30, 2008, the primary government had \$1,688,239,728 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The VRS had \$1,678,185,000 of this amount that consisted of various types of debt and equity securities that were held by counterparties' trust departments or agents, but not in the VRS' name. Investments held by broker-dealers under securities loan for common and preferred stocks represented \$1,319,794,000 and U.S. Treasury and agency securities represented \$173,109,000 of the total. The remainder was for various types of debt and equity securities. The component units had \$139,682,668 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. Mutual and money market funds represented \$84,200,420 and U.S. Treasury and agency securities represented \$24,540,852 of the total and the remainder was for various types of debt and equity securities.

As of June 30, 2008, the investments of the Pension and Other Employee Benefit Trust Funds were

approximately 62 percent of the primary government investments, and 99 percent of those that were exposed to custodial risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commonwealth has elected the Segmented Time Distribution method of disclosure.

The State Treasurer's guidelines limit the following maximum durations for any single security of the following investment types:

<u>Security Type</u>	<u>Maximum Duration</u>
Corporate Security	15 years
Asset-Backed Securities	5 years
Sovereign Government	
Obligations (excluding U.S.)	5 years
Negotiable Certificates of Deposit	
and Negotiable Bank Notes	5 years

The State Treasurer's guidelines further describe target durations for the overall general account portfolio of 1.6 years, with a 2.3 year maximum and a 0.4 year minimum duration.

The VRS manages the risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies, to a much greater degree, the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

At June 30, 2008, the Commonwealth had the following investments and maturities:

Primary Government Investments

(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
U. S. Treasury and Agency Securities	\$ 1,884,167	\$ 476,508	\$ 860,394	\$ 271,673	\$ 275,592
Corporate Notes	6,005,166	2,590,028	2,047,988	983,473	383,677
Corporate Bonds	2,700,557	1,364,894	806,897	338,879	189,887
Commercial Paper	4,197,353	4,197,353	-	-	-
Negotiable Certificates of Deposit	3,532,037	3,507,032	25,005	-	-
Non-negotiable Certificates of Deposit	335,974	335,268	141	565	-
Reverse Repurchase Agreements	1,026,316	1,026,316	-	-	-
Repurchase Agreements	435,209	435,209	-	-	-
Municipal Securities	166,915	5,188	28,955	27,368	105,404
Asset Backed Securities	2,276,254	1,029,513	533,877	178,486	534,378
Agency Mortgage Backed	3,757,111	126,895	2,167,328	936,840	526,048
Agency Unsecured Bonds and Notes	2,540,434	1,393,679	1,111,026	29,373	6,356
Mutual and Money Market Funds (Includes SNAP)	917,793	917,673	-	120	-
The Boston Company Pooled Employee Trust Fund	803,769	803,769	-	-	-
Guaranteed Investment Contracts	295,767	-	295,767	-	-
Fixed Income and Commingled Funds	1,914,840	48,631	908,217	957,992	-
Deposits with the U.S. Treasury for Unemployment Compensation	779,103	779,103	-	-	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	1,040,002	7,604	427,718	386,075	218,605
Corporate Notes	146,989	45,798	54,043	31,384	15,764
Corporate Bonds	70,574	19,333	38,564	10,684	1,993
Agency Unsecured Bonds and Notes	281,728	7,334	176,370	75,876	22,148
Asset Backed Securities	588	588	-	-	-
Other	1,568,357	492,121	504,854	424,965	146,417
Total	\$ 36,677,003	\$ 19,609,837	\$ 9,987,144	\$ 4,653,753	\$ 2,426,269

Component Unit Investments

(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
U. S. Treasury and Agency Securities	\$ 325,103	\$ 126,527	\$ 164,158	\$ 23,491	\$ 10,927
Corporate Notes	40,675	8,926	23,558	5,883	2,308
Corporate Bonds	142,278	5,439	85,474	38,713	12,652
Banker's Acceptance	9,980	9,980	-	-	-
Commercial Paper	638,362	638,362	-	-	-
Negotiable Certificates of Deposit	227,260	227,100	160	-	-
Non-negotiable Certificates of Deposit	40,450	40,450	-	-	-
Repurchase Agreements	462,816	462,816	-	-	-
Municipal Securities	3,386,760	24,584	110,378	87,037	3,164,761
Asset Backed Securities	192,482	8,729	21,968	9,335	152,450
Agency Unsecured Bonds and Notes	332,654	201,442	95,782	10,414	25,016
Agency Mortgage Backed	277,888	29,270	31,181	7,027	210,410
Mutual and Money Market Funds (Includes SNAP)	1,141,957	1,026,862	92,407	20,613	2,075
Guaranteed Investment Contracts	365,033	-	148,933	-	216,100
Fixed Income and Commingled Funds	19,150	13,500	5,650	-	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	18,646	18,646	-	-	-
Other	39,310	36,748	1,678	694	190
Total	\$ 7,660,804	\$ 2,879,381	\$ 781,327	\$ 203,207	\$ 3,796,889

Foundation Investments

(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury and Agency Securities	\$ 742,638
Common & Preferred Stocks	1,888,350
Corporate Notes	24,979
Corporate Bonds	89,066
Commercial Paper	95,811
Negotiable Certificates of Deposit	9,376
Municipal Securities	11,485
Repurchase Agreements	60,208
Asset Backed Securities	29,817
Agency Unsecured Bonds and Notes	116
Agency Mortgage Backed	3,059
Mutual and Money Market Funds	1,245,388
Bankers' Acceptance	286
Real Estate	221,670
Index Funds	13,572
Hedge Funds	1,854,127
Partnerships and Other Joint Ventures	1,704,144
Investment in Grantor Trust	344,187
Others	666,856
Total	<u>\$ 9,005,135</u>

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Treasurer of the Commonwealth places emphasis on securities of high credit quality and marketability. At the time of purchase, the following limitations are in place:

- Bankers acceptances: P-1, Moody's and A-1, S&P
- Negotiable CDs and bank notes:
 - o maturities of one year or less: P-1, Moody's and A-1, S&P
 - o maturities over one year: Aa, Moody's and AA, S&P
- Commercial paper: P-1, Moody's and A-1, S&P
- Corporate Notes and Bonds and Busted Convertibles: A or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P. However, each external investment manager may invest up to ten percent of their portfolio in Baa2/BBB rated bonds which, at a minimum, must be rated Baa2/BBB by two nationally recognized rating agencies (one of which must be either Moody's or S&P). In addition, all such rated securities purchased in the portfolio must be considered "investment grade" by Lehman Brothers as related to inclusion in the appropriate Lehman index. Busted convertibles must be liquidated prior to conversion to equity. Also, to avoid holding the equity-like securities, busted

convertibles must be sold when they reach 105 percent of their bond value.

- Taxable Municipal Bonds: A or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P
- Asset-backed securities: AAA or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P
- Dollar denominated obligations of sovereign governments: Aaa, Moody's and AAA, S&P
- Commercial Mortgage-Backed Securities (CMBS), Collateralized Mortgage Obligations (CMOs), and Planned Amortization Classes (PACs): AAA or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P

The following tables present the credit ratings for the majority of the investments of the primary government and component units as of June 30, 2008. The ratings presented below are using Standard & Poor's (S&P) and Moody's Investors Service (Moody's) rating scales. Within the primary government, the investments presented in the table represented 71.6 percent of the total debt securities, 8.5 percent of which were invested in unrated agency mortgage-backed securities. Within the component units, the investments presented in the table represented 83.0 percent of the total debt securities, 39.3 percent of which were invested in unrated Municipal Securities.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth's credit risk

related to derivatives is found in the Derivative Financial Instruments note.

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

Credit Rating - Primary Government
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Agency Mortgage Backed Securities	\$ 3,116,012		N/A	8.50%
Negotiable Certificates of Deposit	2,967,049	Standard & Poor's	A-1+	8.09%
Commercial Paper	2,687,684	Standard & Poor's	A-1+	7.33%
U. S. Treasury and Agency Securities	1,884,167		N/A	5.14%
Corporate Bonds	1,593,429		Unrated	4.34%
Commercial Paper	1,449,755	Moody's	P-1	3.95%
Agency Unsecured Bonds and Notes	1,411,953	Standard & Poor's	A-1+	3.85%
Asset Backed Securities	1,084,517	Standard & Poor's	AAA	2.96%
Investments held by broker-dealers under securities loans (U.S. Government and Agency Securities)	1,039,795		N/A	2.84%
Reverse Repurchase Agreements	1,026,316		Unrated	2.80%
Asset Backed Securities	964,223	Moody's	Aaa	2.63%
Agency Unsecured Bonds and Notes	887,405	Standard & Poor's	AAA	2.42%
The Boston Company Pooled Employee Trust Fund	803,769		Unrated	2.19%
Deposits with the U.S. Treasury for Unemployment Compensation	779,103		N/A	2.12%
Mutual and Money Market Funds (Includes SNAP)	766,891	Standard & Poor's	AAA	2.09%
Other Debt Securities	701,627	Moody's	Aaa	1.91%
Corporate Notes	649,700	Moody's	Aaa	1.77%
Fixed Income and Commingled Funds	648,166	Moody's	Aaa	1.77%
Corporate Notes	633,965	Moody's	Aa3	1.73%
Corporate Notes	597,627	Moody's	A1	1.63%
Agency Mortgage Backed Securities	560,278	Standard & Poor's	AAA	1.53%

Credit Rating - Component Units
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Municipal Securities	\$ 3,008,767		Unrated	39.27%
Mutual and Money Market Funds (Includes SNAP)	768,169	Standard & Poor's	AAA	10.03%
Commercial Paper	600,006	Moody's	N/A	7.83%
Guaranteed Investment Contracts	365,033		Unrated	4.76%
U. S. Treasury and Agency Securities	325,103		N/A	4.24%
Repurchase Agreements	310,974	Moody's	P-1	4.06%
Agency Mortgage Backed Securities	177,152	Standard & Poor's	AAA	2.31%
Mutual and Money Market Funds	164,119		N/A	2.14%
Repurchase Agreements	148,529		Unrated	1.94%
Agency Unsecured Bonds and Notes	146,231	Standard & Poor's	A-1+	1.91%
Negotiable Certificates of Deposit	122,000	Moody's	N/A	1.59%
Municipal Securities	119,412	Standard & Poor's	AAA	1.56%
Asset Backed Securities	106,213	Moody's	Aaa	1.39%

Concentration of Credit Risk

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Commonwealth holds no investment in the securities of a single issuer that is more than five percent of the total market value of its investments. In addition, the Treasury and VRS have individual investment policies limiting the amounts that may be invested in any single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than five percent of the value of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit.

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. All investments exposed to foreign currency risk were part of the VRS portfolio at June 30, 2008.

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

Currency Exposures by Asset Class

(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Corporate Bonds	Private Equity	Real Estate	International Funds	Total
U. S. Dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,208,574	\$ 4,208,574
Euro Currency Unit	44,614	1,436,255	(22,366)	843,105	31,788	-	2,333,396
British Pound Sterling	11,443	654,698	(30,063)	11,320	39,485	-	686,883
Australian Dollar	25,712	197,637	294	-	29,323	-	252,966
Canadian Dollar	14,224	430,794	(857)	-	1,028	-	445,189
Norwegian Krone	5,015	351,438	5,144	-	-	-	361,597
Hong Kong Dollar	6,383	447,903	-	-	56,531	-	510,817
New Taiwan Dollar	14,699	356,931	-	-	-	-	371,630
Swedish Krona	1,399	83,475	-	11,612	2,767	-	99,253
Japanese Yen	40,030	215,648	31,653	-	54,645	-	341,976
South Korean Won	752	205,892	-	-	-	-	206,644
Brazil Real	5,177	315,478	2,393	-	1,741	-	324,789
Indian Rupee	6,306	216,036	-	-	-	-	222,342
Mexican New Peso	81	166,770	-	-	-	-	166,851
S African Comm Rand	20,837	87,934	-	-	-	-	108,771
Singapore Dollar	3,273	(259)	-	-	14,825	-	17,839
New Turkish Lira	29	71,649	-	-	-	-	71,678
Thailand Baht	188	64,478	-	-	-	-	64,666
Israeli Shekel	3,127	18,977	-	-	-	-	22,104
Polish Zloty	368	66,906	-	-	-	-	67,274
Malaysian Ringgit	973	54,918	9,280	-	54,918	-	65,171
Danish Krone	2,534	41,530	-	-	-	-	44,064
Russian Rubel (New)	16	29,914	-	-	-	-	29,930
Egyptian Pound	1	60,715	-	-	-	-	60,716
Chinese Yuan Renminbi	-	10,554	-	-	-	-	10,554
Indonesian Rupian	69	47,831	-	-	-	-	47,900
Chilean Peso	-	(28,888)	-	-	-	-	(28,888)
Hungarian Forint	1,067	(20,060)	-	-	-	-	(18,993)
Turkish Lira	7,189	-	-	-	-	-	7,189
Romanian Leu	3	-	-	-	-	-	3
Pakistan Rupee	-	5,228	-	-	-	-	5,228
Omani Rial	99	3,620	-	-	-	-	3,719
Peruvian Nuevo Sol	-	2,063	-	-	-	-	2,063
Philippines Peso	331	(17,311)	-	-	-	-	(16,980)
Argentina Peso	-	39,527	-	-	-	-	39,527
Columbian Peso	-	23,871	-	-	-	-	23,871
Czech Koruna	123	(31,525)	-	-	-	-	(31,402)
New Zealand Dollar	1,857	(96,984)	(7,066)	-	-	-	(102,193)
Swiss Franc	24,159	274,286	-	-	772	-	299,217
Total	\$ 242,078	\$ 5,787,929	\$ (11,588)	\$ 866,037	\$ 232,905	\$ 4,208,574	\$ 11,325,935

Securities Lending

The State Treasury's securities lending program is managed by Dresdner Bank, AG – New York Branch, under a contract dated March 31, 2006. The enabling legislation for the securities lending program is Section 2.2-4506 of Chapter 45 of the *Code of Virginia*, as amended. No violations of legal or contractual provisions were noted during the year. The general account participated in a securities lending program for the entire year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by Treasury with a 24-hour notice or are term loans with the right of substitution. Per the contract with Dresdner Bank, AG – New York Branch, all cash reinvestment securities attributable to loans made on the Commonwealth's behalf shall be maintained by Dresdner Bank, AG – New York Branch, and Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Dresdner Bank, AG – New York Branch, provides for loss indemnification against insolvency default in respect of lending transactions and in the case of reverse transactions as defined in the applicable Agency Securities Lending and Repurchase Agreement. Additionally, Dresdner Bank, AG – New York Branch, is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default during the reporting period, or recoveries of prior period losses during this reporting period.

When securities are loaned, the collateral received is at least 100 percent of fair value of the securities loaned and must be maintained at 100 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively caps the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 32 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, Agency, Agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Treasury and Agency securities. At June 30, 2008, all collateral received was in the form of cash.

Securities loaned for the general account as of June 30, 2008, had a carrying value of \$1,920,181,443 and a fair value of \$1,944,595,729. The fair value of the collateral received was \$1,972,092,561 providing for coverage of 101.4 percent. As a result, the State Treasury assumes no credit risk on securities loaned. The carrying value of the cash collateral reinvestment pool received was \$1,969,778,976, and the fair value of the investments purchased with the cash collateral was \$1,925,092,477. As of June 30, 2008, the Treasurer's cash collateral

reinvestment pool had an unrealized loss of \$44.7 million, and is recorded in the General Fund as stated in Note 1. Z. This amount is included in the total Treasurer's Portfolio discussed earlier in this note.

Current cash investment guidelines allow for a maximum weighted-average portfolio maturity of up to 60 days. At June 30, 2008, the cash reinvestment portfolio had a weighted average maturity of 26 days, using the next interest reset date as the maturity for floating rate securities. Using the expected maturity date, the weighted average maturity is considerably longer. Treasury's current cash reinvestment guidelines allow for investment in government securities, AAA rated sovereign governments, asset-backed securities, commercial paper and corporate notes, negotiable certificates of deposit, liquid master notes and promissory notes, bank notes, repurchase agreements, and registered money market funds. At June 30, 2008, the majority of the cash reinvestments were in asset-backed (including mortgage-backed) floating rate securities and corporate floating rate notes and indemnified repurchase agreements.

At June 30, 2008, \$140 million or 6.2 percent of the total cash reinvestment portfolio was out of compliance with Treasury's securities lending cash collateral investment guidelines due to various security ratings downgrades during the year. Included in these out of compliance securities are \$10 million or 0.4 percent of the total cash reinvestment portfolio that are in default. It is not known at this time what the recovery rate will be on this security. Approximately 88 percent of these out of compliance securities are part of the general account portion of the securities lending program. The Commonwealth's intent is to hold these securities to maturity.

Under authorization of the board, the VRS lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the VRS' custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a market value equal to at least 102 percent of the market value for domestic securities and 105 percent for international securities. Securities received as collateral cannot be pledged or sold by the VRS unless the borrower defaults. Contracts require the lending agents to indemnify the VRS if the borrowers fail to return the securities lent and related distributions, and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the VRS or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 42 days. At year-end, the VRS has no credit risk exposure to borrowers because the amounts it owes the borrowers exceed the amounts the borrowers owe it. The market value of securities on loan at June 30, 2008, was \$5,026,739,000. The June 30, 2008, balance was composed of U.S. Government

and agency securities of \$1,321,524,000, corporate and other bonds of \$217,999,000 and common and preferred stocks of \$3,487,216,000. The value of collateral (cash and non-cash) at June 30, 2008, was \$5,329,015,000.

Securities on loan are included with investments on the Statement of Net Assets. The invested cash collateral is included in the Statement of Net Assets as an asset and corresponding liability.

As authorized by Section 2.2–4506 of the *Code of Virginia*, the Virginia Lottery, through its master custodian, JP Morgan Chase Bank, N. A., N.Y., and Dresdner Bank, AG – New York Branch, lends securities to various security brokers and lenders on a temporary basis for a fee. Up to 100 percent of the securities may be available for loan. Prior to or simultaneously with the transfer of securities to a counterparty, the Bank shall obtain collateral on the Lottery's behalf. The principal amount of cash collateral and the market value (at the time of delivery by the counterparty) of collateral in the form of securities shall, in each case, be no less than 100 percent of the aggregate market value of the transferred securities or the principal amount of such cash collateral.

At June 30, 2008, the fair value of investment account securities on loan was \$273,703,985 secured by \$277,940,268 in cash deposits. The fair value of the re-invested cash was \$271,316,230 at June 30, 2008.

Derivative Financial Instruments

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options, and swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities such as collateralized mortgage obligations (CMO), which are sensitive to changes in interest rates and prepayments. Futures, forwards, options, and swaps generally are not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

The VRS is a party, both directly and indirectly, to various derivative financial investments that may or may not appear on the financial statements and that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value resulting from fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements. Credit risk is the possibility that loss may occur from the failure of a counterparty to perform according to the terms of the contract. Market risk arises from adverse changes in market prices, interest rates and foreign exchange rates that may result in a decrease in the market value of a financial investment or an increase in its funding cost, or both.

In addition to risk exposure from directly held derivative financial instruments, the VRS may have indirect exposure to risk through its ownership interests in commingled investment funds that use, hold, or write derivative financial instruments. Indirect exposure also may arise from stock lending programs in which the commingled funds participate. Such programs usually reinvest a portion of their cash collateral holdings in derivative instruments. The VRS' pro rata share of the contractual or notional amounts of outstanding derivative transactions in commingled investment funds and their related security lending programs approximated \$156,211,000 at June 30, 2008.

The University of Virginia (major component unit) from time to time may use, through its investments and through investments in pooled funds, a variety of derivative securities including futures, options, and forward foreign currency contracts. These financial instruments are used to modify market risk exposure. Futures contracts and options on futures contracts are traded on organized exchanges and require collateral or margin in the form of cash or marketable securities. The net change in the futures contract value, if any, is settled with a cash transaction on a daily basis. Holders of futures contracts look to the exchange for performance under the contract and not the entity holding the offsetting futures position. Accordingly, the amount of risk due to nonperformance of counterparties to the futures contracts is minimal. Foreign exchange contracts are used to protect the University's portfolio against fluctuations in the values of foreign currencies. The credit risk of forward currency contracts traded over-the-counter lies with the counterparty. Asset swap contracts are privately negotiated agreements between two participants to exchange the return stream derived from their assets to each other without exchanging underlying assets. The University uses asset swaps to gain exposure to certain market sectors in lieu of direct investment. The credit risk lies with the intermediary who arranges the asset swap. The University had no direct exposure to derivative instruments at June 30, 2008.

Forward, Futures, and Options Contracts

Forward contracts are contracts to purchase or sell, and futures contracts are contracts to deliver or receive financial instruments, foreign currencies or commodities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures

contracts is minimal. In contrast, forward contracts traded over-the-counter are generally negotiated between two counterparties. They are subject to credit risks resulting from nonperformance of one of the counterparties and to market risks resulting from adverse fluctuations in market prices, interest rates, and foreign exchange rates.

Options may be either exchange-traded or negotiated directly between two counterparties over-the-counter. Options grant the holder the right, but not the obligation, to purchase or sell a financial instrument at a specified price and within a specified period of time from the 'writer' of the option. As a purchaser of options, the VRS typically pays a premium at the outset. This premium is reflected as an asset on the financial statements. The VRS then retains the right but not the obligation to exercise the option and purchase the underlying financial instrument. Should the option not be exercised, it expires worthless and the premium is recorded as a loss. A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the VRS receives a premium at the outset. The premium is reflected as a liability on the financial statements, and the VRS bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Forward, futures, and options contracts provide the VRS with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure, and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or are exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates, and foreign exchange rates. At June 30, 2008, the VRS had purchased S & P, Russell Index, treasury bonds and notes and global indices futures and options with a notional value of \$8,382,747,000 and sold treasury bonds and notes and global indices futures and options with a notional value of \$588,717,000. At June 30, 2008, the VRS had pledged as collateral U.S. Treasury and U.S. Government agency securities with a total market value of \$192,318,000 as the margin requirement for futures contracts.

In addition to unsettled purchases and sales, accounts receivable and accounts payable for security transactions at June 30, 2008, included receivables for deposits with brokers for securities sold short of \$1,299,708,000 and payables for securities sold short and not covered with market values of \$1,189,940,000.

Foreign Exchange Contracts

Foreign exchange contracts include forward, futures, and options contracts. They involve either the exchange of specific amounts of two currencies or the delivery of a fixed amount of a currency at a future date and specified exchange rate. Forward and futures contracts settle three or more business days from the contract date. Forward contracts are negotiated over-the-counter between two counterparties, while futures contracts are exchange-traded. Foreign currency options, which are either negotiated between two counterparties or are exchange-traded, grant the buyer the right, but not the obligation, to purchase or sell at a specified price, a stated amount of an underlying currency at a future date. At June 30, 2008, the VRS had sold foreign currency contracts with a notional value of \$7,513,138,000 and had purchased foreign currency contracts with a notional value of \$7,509,004,000.

Foreign exchange contracts are used by the VRS to effect settlements and to protect the base currency (\$US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure is usually equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

Swap Agreements

Swaps are negotiated contracts between two counterparties for the exchange of payments at certain intervals over a predetermined timeframe. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indices. During fiscal year 2008, the VRS entered into interest rate and total return swaps with a total notional value of \$1,225,106,000. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the VRS generally requires collateral on any material gains from these transactions.

7. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, interest, taxes, prepaid tuition contributions, security transactions, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2008:

	Accounts Receivable	Loans / Mortgage Receivable	Interest Receivable	Taxes Receivable	Prepaid Tuition Contributions Receivable
Primary Government:					
General	\$ 701,048	\$ 94	\$ 463,997	\$ 1,454,012	\$ -
Major Special Revenue Funds:					
Commonwealth Transportation	142,406	37,106	-	164,509	-
Federal Trust	428,395	228	-	-	-
Literary	216,209	309,662	21,993	-	-
Nonmajor Governmental Funds	182,458	-	2,326	82	-
Major Enterprise Funds:					
State Lottery	48,411	-	-	-	-
Virginia College Savings Plan	6,439	-	4,328	-	288,024
Unemployment Compensation	89,210	-	-	-	-
Nonmajor Enterprise Funds	37,695	-	-	-	-
Internal Service Funds	38,179	-	-	-	-
Private Purpose	-	62	1,157	-	-
Pension and Other Employee Benefit Trust	191,165	-	169,189	-	-
Investment Trust Fund	-	-	11,157	-	-
Agency Funds	429	-	-	216,906	-
Total Primary Government (1)	\$ 2,082,044	\$ 347,152	\$ 674,147	\$ 1,835,509	\$ 288,024
Discrete Component Units:					
Virginia Housing Development Authority (2)	\$ -	\$ 7,854,868	\$ 39,458	\$ -	\$ -
Virginia Public School Authority	-	-	68,683	-	-
University of Virginia	155,908	31,861	27	-	-
Virginia Polytechnic Institute and State University	58,755	32,013	1,499	-	-
Virginia Commonwealth University	266,135	29,446	281	-	-
Nonmajor Component Units	142,009	2,357,548	41,837	5,825	-
Total Component Units	\$ 622,807	\$ 10,305,736	\$ 151,785	\$ 5,825	\$ -

Note (1): Fiduciary net receivables in the amount of \$3,609,869 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Note (2): \$7,764,124 (dollars in thousands) is Restricted Loans Receivable, \$37,784 (dollars in thousands) is Restricted Interest Receivable, and \$9,013 (dollars in thousands) is Restricted Other Receivable.

Security Transactions	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
\$ -	\$ -	\$ (1,589,017)	\$ 1,030,134	\$ 17,208
-	-	(23,197)	320,824	37,072
-	-	(9,736)	418,887	166
-	-	(213,383)	334,481	289,371
-	-	(92,140)	92,726	2,659
-	-	-	48,411	-
-	-	-	298,791	222,638
-	-	(20,586)	68,624	-
-	-	(2,642)	35,053	-
-	-	(190)	37,989	37,989
-	-	-	1,219	-
3,032,192	40,967	-	3,433,513	-
-	-	-	11,157	-
-	-	(53,355)	163,980	114
<u>\$ 3,032,192</u>	<u>\$ 40,967</u>	<u>\$ (2,004,246)</u>	<u>\$ 6,295,789</u>	<u>\$ 607,217</u>
\$ -	\$ 18,599	\$ -	\$ 7,912,925	\$ 7,719,304
-	-	-	68,683	68,681
-	33,055	(45,018)	175,833	41,314
-	101	(2,731)	89,637	35,831
-	29,384	(98,623)	226,623	23,339
-	73,779	(10,542)	2,610,456	2,295,664
<u>\$ -</u>	<u>\$ 154,918</u>	<u>\$ (156,914)</u>	<u>\$ 11,084,157</u>	<u>\$ 10,184,133</u>

8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations⁽¹⁾ included with the major component units, and aggregated nonmajor component units, as of June 30, 2008:

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
Discrete Component Units:							
University of Virginia	\$ 32,244	\$ 77,819	\$ 7,814	\$ 117,877	\$ (11,256)	\$ (5,752)	\$ 100,869
Virginia Polytechnic Institute & State University	32,608	40,626	8,611	81,845	(6,436)	(3,174)	72,235
Virginia Commonwealth University	15,812	18,651	1,564	36,027	(3,371)	(472)	32,184
Nonmajor Component Units	52,639	77,887	23,035	153,561	(15,200)	(5,200)	133,161
Total Component Units	<u>\$ 133,303</u>	<u>\$ 214,983</u>	<u>\$ 41,024</u>	<u>\$ 389,310</u>	<u>\$ (36,263)</u>	<u>\$ (14,598)</u>	<u>\$ 338,449</u>

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

Note (2): The discount rate used to determine present value ranges from 1.13 percent to 8.66 percent.

9. INTERFUND AND INTER-ENTITY ASSETS/LIABILITIES

Due from/to Other Funds

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

Included in the category Due from Other Funds are "Due from Other Funds," "Due from Internal Parties (governmental funds and business-type activities)," and "Due from External Parties (fiduciary funds)." Included in the category Due to Other Funds are "Due to Other Funds," "Due to Internal Parties (governmental funds and business-type activities)," and "Due to External Parties (fiduciary funds)." The following schedule shows the Due from/to Other Funds as of June 30, 2008.

Schedule of Due from/to Other Funds

June 30, 2008

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		Primary Government	
General Fund	\$ 25,301	Major Special Revenue Funds:	
		Federal Trust	\$ 16,861
		Major Enterprise Funds:	
		State Lottery	259
		Unemployment Compensation	274
		Nonmajor Enterprise Funds	7,600
		Internal Service Funds	307
Major Special Revenue Funds:			
Commonwealth Transportation	52	Internal Service Funds	52
Federal Trust	857	Nonmajor Governmental Funds	857
Nonmajor Governmental Funds	6,913	Major Special Revenue Funds:	
		Commonwealth Transportation	6,731
		Major Enterprise Funds:	
		Unemployment Compensation	182
Major Enterprise Funds:			
Unemployment Compensation	688	General Fund	301
		Major Special Revenue Funds:	
		Commonwealth Transportation	64
		Federal Trust	228
		Nonmajor Governmental Funds	54
		Major Enterprise Funds:	
		State Lottery	17
		Nonmajor Enterprise Funds	13
		Internal Service Funds	11
Nonmajor Enterprise Funds	2,471	General Fund	664
		Major Special Revenue Funds:	
		Commonwealth Transportation	962
		Federal Trust	220
		Nonmajor Governmental Funds	489
		Major Enterprise Funds:	
		State Lottery	1
		Nonmajor Enterprise Funds	24
		Internal Service Funds	111
Internal Service Funds	41,463	General Fund	21,327
		Major Special Revenue Funds:	
		Commonwealth Transportation	8,653
		Federal Trust	4,748
		Nonmajor Governmental Funds	5,180
		Major Enterprise Funds:	
		State Lottery	117
		Virginia College Savings Plan	21
		Nonmajor Enterprise Funds	1,019
		Internal Service Funds	398
Total Primary Government	<u>\$ 77,745</u>	Total Primary Government	<u>\$ 77,745</u>

Schedule of Due from/to Internal/External Parties

June 30, 2008

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		Primary Government	
General Fund	\$ 6	Investment Trust	\$ 6
Nonmajor Governmental Funds	182	Agency	182
Total Primary Government	\$ 188	Total Primary Government	\$ 188

Interfund Receivables/Payables

Interfund Receivables/Payables are loans made by one fund to another.

The following schedule shows the Interfund Receivables/Payables for the primary government as of June 30, 2008. There were no Interfund Receivables/Payables for the component units as of June 30, 2008.

Interfund Receivables/Payables

June 30, 2008

(Dollars in Thousands)

Receivable From:	Amount	Payable To:	Amount
Primary Government		Primary Government	
Nonmajor Governmental Funds	\$ 51,157	Major Special Revenue Funds:	
		Federal Trust	\$ 2,682
		Major Enterprise Funds:	
		State Lottery Department	5,000
		Nonmajor Enterprise Funds	31,888
		Internal Service	11,587
Total	\$ 51,157	Total	\$ 51,157

Due from/to Primary Government and Component Units

Included in this category is activity between the Commonwealth and its component units, as well as activity between component units.

The following due from primary government amounts represent General Fund appropriation available amounts that are due from the General Fund: University of Virginia (major component unit) - \$16.8 million, Virginia Polytechnic Institute and State University (major component unit) - \$16.7 million, Virginia Commonwealth University (major component unit) - \$16.6 million, nonmajor component units - \$241.2 million. The General Fund reports \$36.7 million of the due to component units in the governmental funds and the entire amount of \$291.3 million is reported in the government-wide financial statements.

The following due from primary government amounts represent amounts due from the General Fund related to interest/rebate allocations: University of Virginia (major component unit) - \$0.1 million, Virginia Polytechnic Institute and State University (major component unit) - \$0.1 million, Virginia Commonwealth University (major component unit) - \$1.6 million, nonmajor component units - \$11.5 million. The following due from primary government amounts represent amounts due from the eVA Procurement System (nonmajor enterprise fund) for rebates: University of Virginia (major component unit) - \$0.5 million, Virginia Polytechnic Institute and State University (major component unit) - \$0.2 million, Virginia Commonwealth University (major component unit) - \$0.2 million, nonmajor component units - \$1.5 million.

The following due from primary government amounts represent amounts due from nonmajor governmental funds related to the Department of Treasury's reimbursement programs: University of Virginia (major component unit) - \$0.4 million, Virginia Polytechnic Institute and State University (major component unit) - \$0.7 million, Virginia Commonwealth University (major component unit) - \$0.7 million, nonmajor component units - \$31.0 million.

A \$6.8 million due from primary government amount represents an amount due from a nonmajor governmental fund related to the pledging of monies towards an acquisition for the Virginia Museum of Fine Arts Foundation (nonmajor component unit). The entire nonmajor governmental amount is reported in the government-wide financial statements.

A \$0.3 million due from component unit represents monies owed for administrative expenses from the Science Museum of Virginia Foundation (nonmajor component unit) to a nonmajor governmental fund. The entire nonmajor governmental amount is reported in the government-wide financial statements. The following due from component unit amounts represent amounts owed back to a nonmajor governmental fund: University of Mary Washington (nonmajor component unit) - \$0.4 million, Norfolk State University (nonmajor component unit) - \$0.2 million.

The following due from component units amounts represent amounts due from the Virginia College Building Authority (nonmajor component unit) related to the Department of Treasury's reimbursement programs: University of Virginia (major component unit) - \$8.1 million, Virginia Polytechnic Institute and State University (major component unit) - \$5.6 million, Virginia Commonwealth University (major component unit) - \$9.3 million, nonmajor component units - \$19.6 million. There is an additional due to/from component units of \$0.2 million between nonmajor component units.

Loans Receivable/Payable Between Primary Government and Component Units

The Virginia Commonwealth University (major component unit) loan of \$2.8 million and the Christopher Newport University (nonmajor component unit) loan of \$0.2 million were used to fund programs until bonds were issued. The Virginia Community College System (nonmajor component unit) loan of \$1.0 million and a majority of the George Mason University (nonmajor component unit) loan of \$11.6 million were used to advance fund federally-funded grant programs.

The \$173.1 million in loans receivable from primary government represents loans from the Virginia Public School Authority (VPSA) to the Literary Fund. The VPSA makes grants to local school divisions to finance the purchase of educational technology equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund.

10. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2008:

(Dollars in Thousands)

	Cash and Travel Advances	Unamortized Bond Issuance Expense	Other Assets (1)	Total Other Assets (2)
Primary Government:				
General	\$ 1,606	\$ -	\$ 557	\$ 2,163
Major Special Revenue Funds:				
Commonwealth Transportation	610	-	1,812	2,422
Federal Trust	1,970	-	127	2,097
Nonmajor Governmental Funds	811	-	340	1,151
Major Enterprise Funds:				
State Lottery	1	-	-	1
Nonmajor Enterprise Funds	165	-	137	302
Internal Service Funds	111	-	6,467	6,578
Total Primary Government	<u>\$ 5,274</u>	<u>\$ -</u>	<u>\$ 9,440</u>	<u>\$ 14,714</u>
Discrete Component Units:				
Virginia Housing Development Authority	\$ -	\$ 6,387	\$ 38,058	\$ 44,445
University of Virginia	-	201	19,920	20,121
Virginia Polytechnic Institute and State University	-	359	2,442	2,801
Virginia Commonwealth University	294	6,537	10,215	17,046
Nonmajor Component Units	10,249	42,099	23,392	75,740
Total Component Units	<u>\$ 10,543</u>	<u>\$ 55,583</u>	<u>\$ 94,027</u>	<u>\$ 160,153</u>

Note (1): The \$6,467 (dollars in thousands) shown above represents a Virginia Information Technologies Agency interfund asset due from various governmental funds that will not be received within 60 days. In addition, \$2,720 (dollars in thousands) relates to rebates to be received from the Virginia Information Technologies Agency. These amounts are reclassified to internal balances on the Government-wide Statement of Net Assets.

Note (2): \$240 (dollars in thousands) related to an other post employment benefit asset recorded in the Government-wide Statement of Net Assets is not reflected in the above schedule.

11. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Commonwealth Transportation Fund (major special revenue) and Debt Service and Capital Projects (nonmajor governmental funds) reported \$362.7 million in restricted assets related to bond agreements. The Virginia Housing Development Authority (major component unit) reported restricted assets totaling \$1.1 billion. The Virginia Public School Authority (major component unit) reported restricted assets of \$80.1 million. Both major component unit's assets are restricted for debt service under a bond indenture agreement or other agreements. The Virginia Port Authority (nonmajor component unit) reported restricted assets of \$151.7 million. Of this amount, \$85.2 million are assets placed in an escrow account for construction projects, \$43.7 million for debt service under a bond indenture agreement, \$0.7 million for securities lending transactions, and \$22.1 million

reserved as part of the Port Facility Revenue Bond requirement. The Virginia Resources Authority (nonmajor component unit) reported restricted assets of \$619.6 million. Of this amount, \$613.1 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and \$6.5 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program. Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of \$129.2 million. Of this amount, \$7.4 million is for debt service and \$121.8 million is revenue bond construction funds. The Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) reported restricted assets of \$356.4 million to be used for financial aid to tobacco growers and to foster community economic growth.

The higher education institutions (component units) reported restricted assets totaling approximately \$4.0 billion primarily for endowment and other contractual

obligations. Included in this amount is approximately \$3.0 billion of foundations' restricted assets. The two museum foundations, the Virginia Museum of Fine Arts Foundation (nonmajor component unit) and the Science Museum of Virginia Foundation (nonmajor component unit) had restricted assets of \$206.4 million and \$12.8 million, respectively, primarily for donor-imposed restricted endowments.

The remaining \$18.8 million is spread among the Virginia Outdoors Foundation (nonmajor component unit), the Virginia Horse Center Foundation (nonmajor component unit), the Virginia Small Business Financing Authority (nonmajor component unit), the Virginia Arts Foundation (nonmajor component unit), the Fort Monroe Federal Area Development Authority (nonmajor component unit), the Library of Virginia Foundation (nonmajor component unit) and the Danville Science Center (nonmajor component unit).

12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets:

Schedule of Changes in Capital Assets				
Governmental Activities				
<i>(Dollars in Thousands)</i>				
	Balance July 1, as restated	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	\$ 1,853,747	\$ 105,366	\$ (24,448)	\$ 1,934,665
Construction in Progress	2,906,916	1,759,071	(1,386,422)	3,279,565
Total Nondepreciable Capital Assets	4,760,663	1,864,437	(1,410,870)	5,214,230
Depreciable Capital Assets:				
Buildings	2,442,045	363,982	(15,334)	2,790,693
Equipment	859,914	94,428	(39,108)	915,234
Infrastructure	19,320,556	1,330,740	(203,058)	20,448,238
Total Capital Assets being Depreciated	22,622,515	1,789,150	(257,500)	24,154,165
Less Accumulated Depreciation for:				
Buildings	860,850	67,007	(12,506)	915,351
Equipment	423,983	59,877	(27,174)	456,686
Infrastructure	8,927,663	502,334	(28,128)	9,401,869
Total Accumulated Depreciation	10,212,496	629,218	(67,808)	10,773,906
Total Depreciable Capital Assets, Net	12,410,019	1,159,932	(189,692)	13,380,259
Total Capital Assets, Net	\$ 17,170,682	\$ 3,024,369	\$ (1,600,562)	\$ 18,594,489

Note: Beginning balances have been restated by \$22,713 (dollars in thousands) due to prior year errors, as discussed in Note 2. Additionally, there have been reclassifications in the beginning balances of certain line items above.

Depreciation Expense Charged to Functions of the Primary Government

June 30, 2008

(Dollars in Thousands)

Governmental Activities:		
General Government	\$	12,184
Education		7,048
Transportation		521,760
Resources and Economic Development		10,187
Individual and Family Services		21,926
Administration of Justice		38,362
Capital Assets held by the Internal Service		
Funds are charged to various functions		17,751
Total	\$	629,218

Schedule of Changes in Capital Assets

Business-type Activities

(Dollars in Thousands)

	Balance July 1	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	\$ 1,977	\$ -	\$ -	\$ 1,977
Construction in Progress	740	174	(662)	252
Total Nondepreciable Capital Assets	2,717	174	(662)	2,229
Depreciable Capital Assets:				
Buildings	17,065	2,347	(1,092)	18,320
Equipment	87,860	7,404	(4,605)	90,659
Infrastructure	1	-	-	1
Total Capital Assets being Depreciated	104,926	9,751	(5,697)	108,980
Less Accumulated Depreciation for:				
Buildings	10,428	156	-	10,584
Equipment	64,770	9,664	(4,483)	69,951
Infrastructure	1	-	-	1
Total Accumulated Depreciation	75,199	9,820	(4,483)	80,536
Total Depreciable Capital Assets, Net	29,727	(69)	(1,214)	28,444
Total Capital Assets, Net	\$ 32,444	\$ 105	\$ (1,876)	\$ 30,673

Schedule of Changes in Capital Assets
Component Units

(Dollars in Thousands)

	Balance July 1 as restated	Increases	Decreases	Subtotal June 30	Foundations (1)	Total June 30
Nondepreciable Capital Assets:						
Land	\$ 405,577	\$ 32,162	\$ (2,327)	\$ 435,412	\$ 187,733	\$ 623,145
Construction in Progress	1,355,216	1,424,005	(1,068,258)	1,710,963	130,186	1,841,149
Inexhaustible Works of Art / Historical Treasures	71,811	989	-	72,800	15,463	88,263
Livestock	701	-	(123)	578	2,375	2,953
Total Nondepreciable Capital Assets	1,833,305	1,457,156	(1,070,708)	2,219,753	335,757	2,555,510
Depreciable Capital Assets:						
Buildings (2)	6,645,628	877,654	(24,504)	7,498,778	750,633	8,249,411
Infrastructure	1,804,969	126,140	(3,365)	1,927,744	-	1,927,744
Equipment (2)	2,290,357	304,136	(134,703)	2,459,790	107,688	2,567,478
Improvements Other Than Buildings	348,997	15,699	(9,548)	355,148	44,996	400,144
Library Books	637,353	35,176	(6,028)	666,501	-	666,501
Total Capital Assets being Depreciated	11,727,304	1,358,805	(178,148)	12,907,961	903,317	13,811,278
Less Accumulated Depreciation for:						
Buildings	2,327,103	200,782	(10,614)	2,517,271	140,725	2,657,996
Infrastructure	917,552	55,828	(267)	973,113	-	973,113
Equipment	1,370,647	203,292	(90,720)	1,483,219	70,829	1,554,048
Improvements Other Than Buildings	173,972	12,879	(421)	186,430	17,921	204,351
Library Books	512,742	32,302	(6,057)	538,987	-	538,987
Total Accumulated Depreciation	5,302,016	505,083	(108,079)	5,699,020	229,475	5,928,495
Total Depreciable Capital Assets, Net	6,425,288	853,722	(70,069)	7,208,941	673,842	7,882,783
Total Capital Assets, Net	\$ 8,258,593	\$ 2,310,878	\$ (1,140,777)	\$ 9,428,694	\$ 1,009,599	\$ 10,438,293

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

Note (2): Beginning balance for buildings has been decreased by \$9,947 (dollars in thousands) and equipment has been increased by \$9,947 (dollars in thousands) for reclassifications. In addition, beginning balance for buildings has been decreased by \$8,740 (dollars in thousands) for a correction of prior year errors.

13. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplemental information for each of the individual plans discussed below is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

A. Administration

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

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

B. Summary of Significant Accounting Policies (VRS)

Basis of Accounting

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

Method Used to Value Investment

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

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

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

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

The retirement plans have no concentrations of investments in any one organization that represent five percent or more of plan net assets available for benefits, adjustable rate mortgages, and asset-backed securities are priced either daily, weekly or twice a month, and at month-end. Municipal fixed income securities and options on Treasury/Government National Mortgage Association securities are priced at month-end.

C. Plan Description

Retirement Plans

VRS is a qualified governmental retirement plan that provides defined benefit coverage for state employees, public school board employees, employees of participating political subdivisions and other qualifying employees. VRS is a mixed-agent and cost-sharing, multiple-employer retirement plan. The plan's accumulated assets may legally be used to pay all plan benefits provided to any of the plan members or beneficiaries. Contributions for fiscal year 2008, were \$2.0 billion with a reserve balance available for benefits of \$51.7 billion. At June 30, 2008, the VRS had 821 contributing employers.

Single-employer Retirement Plans

The Commonwealth administers the following single-employer retirement plans:

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

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

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

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

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

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

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

As required by Title 51.1 of the *Code of Virginia*, as amended, members contribute five percent of their annual compensation to the defined benefits plans.

Employers may assume the five percent member contribution. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the board of trustees. Contributions for fiscal year 2008, were \$26.2 million, \$74.0 million, \$25.5 million and reserved balances available for benefits of \$636.4 million, \$852.6 million, and \$367.1 million for SPORS, VaLORS and JRS, respectively. State statute may be amended only by the General Assembly.

D. Funding Policy

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

The system's actuary, Wachovia Retirement Services, computed the amount of contributions to be provided by state agency employers, state police and other Virginia law employers. The contribution rates for fiscal year 2008 were based on the actuary's valuation as of June 30, 2005. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 6.15 percent, 20.76 percent, 15.86 percent, and 38.01 percent, respectively, of covered payrolls.

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

E. Annual Pension Cost and Net Pension Obligation

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

	VRS			SPORS		
	2008	2007	2006	2008	2007	2006
Annual required contribution	\$ 316,649	\$ 294,388	\$ 166,975	\$ 29,718	\$ 25,488	\$ 27,939
Interest on net pension obligation	54,933	47,378	46,853	6,587	5,915	5,259
Adjustment to annual required contribution	(56,436)	(48,915)	(42,825)	(6,777)	(6,085)	(4,807)
Annual pension cost	315,146	292,851	171,003	29,528	25,318	28,391
Contributions made	(218,256)	(192,360)	(124,789)	(20,990)	(16,358)	(15,258)
Increase in net pension obligation	96,890	100,491	46,214	8,538	8,960	13,133
Net pension obligation, beginning of year	732,366	631,875	585,661	87,831	78,871	65,738
Net pension obligation, end of year	\$ 829,256	\$ 732,366	\$ 631,875	\$ 96,369	\$ 87,831	\$ 78,871
Percentage of annual pension cost contributed	69.3%	65.7%	73.0%	71.1%	64.6%	53.7%

	JRS			VaLORS		
	2008	2007	2006	2008	2007	2006
Annual required contribution	\$ 28,284	\$ 26,768	\$ 27,048	\$ 79,420	\$ 72,460	\$ 90,011
Interest on net pension obligation	4,553	4,094	3,476	17,589	15,814	13,782
Adjustment to annual required contribution	(4,684)	(4,211)	(3,177)	(18,096)	(16,270)	(12,597)
Annual pension cost	28,153	26,651	27,347	78,913	72,004	91,196
Contributions made	(22,387)	(20,530)	(16,206)	(55,929)	(48,338)	(52,610)
Increase in net pension obligation	5,766	6,121	11,141	22,984	23,666	38,586
Net pension obligation, beginning of year	60,706	54,585	43,444	234,522	210,856	172,270
Net pension obligation, end of year	\$ 66,472	\$ 60,706	\$ 54,585	\$ 257,506	\$ 234,522	\$ 210,856
Percentage of annual pension cost contributed	79.5%	77.0%	59.3%	70.9%	67.1%	57.7%

The amounts in the above table include governmental and component unit activity for which the Commonwealth is considered the employer. It does not include the VRS liability for the Virginia Economic Development Partnership (component unit), the Virginia Tourism Authority (component unit), and the Virginia National Defense Industrial Authority (component unit) of \$1.7 million, \$861,417, and \$60,241, respectively. The table also excludes the non-VRS pension liability of \$57.9 million for all other component units.

The most recent actuarial valuations were conducted as of June 30, 2005. The valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 5.6 percent, including a 2.5 percent inflation component; and (c) 2.5 percent per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining closed amortization period at June 30, 2008, was 20 years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

F. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

<u>Actuarial Valuation Date June 30</u>	<u>Actuarial Value of Assets [a]</u>	<u>Actuarial Accrued Liability (AAL) Entry Age [b]</u>	<u>Unfunded AAL (UAAL) [b-a]</u>	<u>Funded Ratio [a/b]</u>	<u>Covered Payroll [c]</u>	<u>UAAL as a Percentage of Covered Payroll [b-a]/[c]</u>
Virginia Retirement System (VRS)						
2007	\$ 47,815	\$ 58,116	\$ 10,301	82.3%	\$ 13,834	74.5%
State Police Officers' Retirement System (SPORS)						
2007	\$ 595	\$ 806	\$ 211	73.8%	\$ 101	209.4%
Virginia Law Officers' Retirement System (VaLORS)						
2007	\$ 766	\$ 1,166	\$ 400	65.7%	\$ 341	117.2%
Judicial Retirement System (JRS)						
2007	\$ 340	\$ 442	\$ 102	76.9%	\$ 58	177.3%

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

G. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the Great West Retirement Services. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's (6.15 percent) and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2008, the total contributions to this plan were \$813,108.

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

H. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The board of trustees of the VRS manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. At June 30, 2008, there was one participant in this plan. Total contributions to the plan for fiscal year 2008 were \$21,372.

I. Virginia Supplemental Retirement Plan

The Virginia Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the VRS manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. At June 30, 2008, there were three participants in this plan. Total contributions to the plan for fiscal year 2008 were \$16,372.

J. Higher Education Fund (Component Unit)

The Commonwealth's colleges and universities participate in the VRS, a mixed-agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in an optional retirement annuity program, rather than the VRS. Optional retirement plans are authorized by the *Code of Virginia* and provide retirement and death benefits. The optional retirement annuity programs are offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, Variable Annuity Life Insurance Company (VALIC), Fidelity Investments, Inc., Vanguard, and others including Great West Life, Inc. Overall, these are defined contribution programs where the retirement benefits received are based upon the Commonwealth's (5.4 percent) and employees' (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2008, the total contributions to these plans were:

TIAA-CREF	\$	91,002,963
VALIC		2,850,221
Fidelity Investments		48,517,293
Vanguard		4,212,398
Others		982,037
Total	\$	<u>147,564,912</u>

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – major) contributes to the VRS. The VRS issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the plan). All employees, excluding house staff, working at least 20 hours per week in a benefit eligible position are eligible to participate in the plan. Per the plan document as approved by the Authority's board of directors, the Authority contributes up to ten percent of the participant's salary to the plan not to exceed the lesser of (a) the amount in accordance with Internal Revenue Code 415(d), or (b) 100 percent of the participant's compensation for such limitation year. Total contributions for the year ended June 30, 2008, were approximately \$12,395,000. The

Authority has the right at anytime, and without the consent of any party, to terminate the plan in its entirety. The Authority's board of directors must approve any changes to the provisions of the plan, including the contribution requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week were eligible to participate in the HCP plan. At June 30, 2008, there were five actively employed participants in the HCP plan. Total contributions to the HCP plan for the year ended June 30, 2008, were approximately \$33,900.

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

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) plan), a noncontributory, defined contribution plan which covers substantially all benefit eligible clinical providers of MCVAP. Contributions to the 401(a) plan, as determined annually at the discretion of the board of directors were approximately \$8,636,000 for the year ended June 30, 2008.

MCVAP also sponsors the VCUHS 401(a) Retirement Plan a defined contribution plan which covers all non-medical employees of MCVAP and the VCUHS 457(b) Retirement Plan, a salary reduction plan that represents employee contributions. These plans became effective on January 1, 2002, and replaced the MCVAP 403 (b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2008, were approximately \$1,667,000.

VA Premier (a component unit of the Authority) adopted a 401(k) plan sponsored by Fidelity Investments. Employees may enter into the plan on the first day of the month coinciding with or following the date on which the employee begins employment. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute one percent to 15 percent of their compensation. VA Premier will match 50 percent of the employees' contributions up to four percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes three percent of the employee's compensation after each bi-weekly payroll effective when the employee begins employment.

Employees are fully vested after four years of service in which the employees have at least 1,000 hours of service each year. The total expense to VA Premier in fiscal year 2008 was approximately \$685,000. Effective June 2007, the Carolina Crescent Health Plan's (a component unit of the Authority) (CCHP) adopted a 401(k) plan, for which Fidelity Investments is the trustee. All terms are consistent with the VA Premier 401(k) plan. CCHP's expense for its contributions to this plan was approximately \$36,000 for the year ended 2008.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 142 faculty members have elected to enroll in the plan. As of June 30, 2008, 39 participants remain, including 14 new participants who retired under this plan during fiscal year 2008. In order to satisfy IRS requirements, a trust fund has been established as a means to make the payments to the plan participants. The University prepaid a portion of the 2009 plan contribution of \$951,437 in 2008. The remaining 2009 plan contribution of \$26,492 will be paid in 2009.

The Center for Innovative Technology (CIT) is a blended component unit of the Innovative Technology Authority (nonmajor). The CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Pension contributions for the plan totaled \$511,594 in fiscal year 2008.

K. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), the Virginia College Building Authority (nonmajor), the Virginia University Research Partnership (nonmajor), and the Virginia Schools for the Deaf and Blind Foundation (nonmajor) have no employees. The Virginia Economic Development Partnership, the Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research

Partnership Authority, the A. L. Philpott Manufacturing Extension Partnership, the Virginia Tourism Authority, the Tobacco Indemnification and Community Revitalization Commission, the Virginia Tobacco Settlement Foundation, the Virginia Land Conservation Foundation, the Virginia Arts Foundation, the Virginia National Defense Industrial Authority, and the Library of Virginia Foundation (all nonmajor) contribute solely to the VRS, a mixed-agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the authority incurs employment retirement savings expense equal to eight percent of full-time employees' compensation. Total retirement savings expense under this plan was \$1,709,222 in fiscal year 2008.

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

The Virginia Port Authority (nonmajor) contributes to the VRS. The Authority also sponsors two single-employer noncontributory defined benefit pension plans. The Virginia Port Authority Pension Plans are administered by the Authority and provide retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the board of commissioners of the Authority. The plan was restated October 1, 2001, to ensure compliance with additional regulations.

The components of annual pension cost and prepaid pension obligation for the first single-employer noncontributory defined benefit pension plan are as follows:

Trend Information			
	2008	2007	2006
Service cost - benefits earned during the year	\$ 2,136,300	\$ 2,036,800	\$ 1,801,800
Interest cost on projected benefit obligation	3,660,500	3,316,900	2,903,200
Expected return on assets	(4,286,500)	(3,729,500)	(3,213,200)
Net amortization and deferral	779,200	941,500	709,500
Annual pension cost	2,289,500	2,565,700	2,201,300
Contributions made	(1,640,100)	(2,634,600)	(4,216,500)
Increase in prepaid pension obligation	649,400	(68,900)	(2,015,200)
Prepaid pension obligation, beginning of year	(9,390,200)	(9,321,300)	(7,306,100)
Prepaid pension obligation, end of year	<u>\$ (8,740,800)</u>	<u>\$ (9,390,200)</u>	<u>\$ (9,321,300)</u>

Costs have been computed in accordance with the aggregate cost method. Changes in plan provisions and actuarial assumptions, and actuarial gains and losses are not separately amortized under this method. Rather the impact is spread through the nominal cost component over the future working lifetime of participants. The actuarial present value of accumulated plan benefits is determined by an actuary from New York Life Benefit Services, LLC using end of year benefit information as of September 30, 2007 and 2006, respectively, and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment.

The following table sets forth the plan's funded status and the related amounts recorded in the authority's balance sheets at June 30, 2008, 2007, and 2006.

Trend Information			
Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2008	\$ 2,289,500	72 %	\$ (8,740,800)
2007	\$ 2,565,700	103 %	\$ (9,390,200)
2006	\$ 2,201,300	192 %	\$ (9,321,300)

In November 2001, the second plan was amended to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Enforcement Officers Retirement System. The effect of those changes is included in the accompanying pension data.

The components of annual pension cost and prepaid pension obligation for the second single-employer noncontributory defined benefit pension plan are shown in the following schedule.

Trend Information			
	2008	2007	2006
Service cost - benefits earned during the year	\$ 642,254	\$ 532,378	\$ 514,545
Interest cost on projected benefit obligation	356,456	299,507	223,047
Expected return on assets	260,403	(434,736)	(165,669)
Net amortization and deferral	(458,630)	387,386	191,195
Annual pension cost	800,483	784,535	763,118
Contributions made	(1,166,439)	(1,654,371)	(896,505)
Additional minimum liability	-	(1,402,080)	(126,285)
Increase in pension obligation	(365,956)	(2,271,916)	(259,672)
Pension obligation, beginning of year	(1,127,803)	1,144,113	1,403,785
Pension obligation, end of year	\$ (1,493,759)	\$ (1,127,803)	\$ 1,144,113

The annual pension cost for the current year was determined as part of the August 2008 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Actual value of assets was determined using market value. The discount rate used in determining the actuarial present value of the projected benefit obligation was 6.92 percent in 2008, 6.25 percent in 2007, and 6.25 percent in 2006. The expected long-term rate of return on assets used in determining net periodic pension cost was eight percent.

The following table sets forth the plan's funded status and the related amounts recorded in the authority's balance sheets at June 30, 2008, 2007, and 2006.

Trend Information			
Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2008	\$ 800,483	146 %	\$ (1,493,759)
2007	\$ 784,535	211 %	\$ (1,127,803)
2006	\$ 763,118	117 %	\$ 1,144,113

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The plans had assets of \$3,661,172 and an accrued liability of \$4,497,374.

Contributions to the plans were \$987,731 for the year ended June 30, 2008.

As of January 1, 2005, the Virginia Resources Authority began mandatory participation for all new employees and optional participation for then-current employees who chose to enroll in the VRS. For the year ended June 30, 2008, the Authority's annual pension cost of \$70,295 was equal to the Authority's required and actual contributions.

The Virginia Horse Center Foundation has a defined contribution plan which covers all full-time employees of the Foundation who have one year of service and are age 21 or older. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the plan are discretionary and the Foundation will determine the amount to contribute to the plan each year. No contributions were made on behalf of the employees for the fiscal year ended June 30, 2008. As of July 1, 2006, employees were able to make contributions to the plan, however, the contributions are not matched by the Foundation.

The Assistive Technology Loan Fund Authority sponsors a Simple Employee Plan (SEP) for all of its employees. The Authority contributes five percent of each employee's wages, which is paid into their account managed by American Funds each pay period.

Employees of the Virginia Museum of Fine Arts Foundation who are age 21 or older are eligible to participate in the Employee's Savings Plan (the plan), a 401(k) defined contribution profit sharing plan. Under the plan, the Foundation may make a discretionary contribution. For the plan years ended June 30, 2008, and 2007, the Foundation contributed 8.4 percent and 7.0 percent, respectively, of employees' gross income to the plan. In addition, contributions made by an employee up to four percent of the employee's gross income are matched 50 percent by the foundation. Employees may contribute up to 100 percent of gross income each year as long as it is within the IRS limitation. Contributions paid to the plan by the Foundation on behalf of its employees were \$87,857 for the fiscal year ended June 30, 2008.

The Science Museum of Virginia Foundation has a 403(b) defined contribution pension plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) Retirement Plan for employees meeting age and service requirements. The Foundation contributes an amount not to exceed three percent of the regular salary of each participant. The Foundation's employer contributions totaled \$6,403 in 2008. The Foundation also has a 537 plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF); employer contributions totaled \$15,500 in 2008. In addition, the Belmont

Bay Science Center Foundation also participates in the Science Museum of Virginia Foundation's 403(b) defined contribution pension plan. The foundation contributed \$4,920 during 2008.

14. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in two other employment benefit plans, Group Life Insurance and Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (VRS). The VRS administers a third other employment benefit plan, the Volunteer Firefighters' and Rescue Squad Workers' Fund, in which the Commonwealth does not participate, but may provide funding. The significant accounting policies for all three plans are the same as those described in Note 13 for pension plans. A separately issued financial report that includes financial statements for the Group Life Insurance and Virginia Sickness and Disability Program is publicly available. Copies may be obtained by writing to the Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

Group Life Insurance

The Group Life Insurance Plan was established for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, state police officers, other state law enforcement and correctional officers, judges, and other qualifying employees. The program provides life insurance for natural death coverage equal to a members' annual compensation rounded to the next highest \$1,000 and then doubled. Accidental death coverage is double the natural death benefit. The program also provides coverage for accidental dismemberment and accidental blindness, a safety belt benefit, a repatriation benefit, a felonious assault benefit and an accelerated death benefit for terminal conditions. Approximately 361,906 members participate in the program at June 30, 2008.

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

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

63,734 members were covered under this program at June 30, 2008.

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

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

Virginia Sickness and Disability Program

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

VSDP benefits include sick, family and personal leave and short-term and long-term disability benefits. After a seven-calendar day waiting period following the first day of disability, eligible employees receive short-term disability benefits from 60 percent to 100 percent of their compensation depending on their months of state service. After 125 work days of short-term disability, eligible employees receive long-term disability benefits equal to 60 percent of their compensation. Long-term disability benefits continue until employees either return to work, reach age 65 (age 60 for state police officers and other state law enforcement and correctional officers) or die.

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

Eligible state employees and state police officers employed before January 1, 1999 had the option to elect to participate in the VSDP or remain under the Commonwealth's existing sick leave program and retain their eligibility for disability retirement benefits under VRS and SPORS. (Members of VaLORS have been automatically enrolled in the VSDP since October 1, 1999 when VaLORS was created.) Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, SPORS, or VaLORS. Approximately 74,956 members were covered under the program at June 30, 2008.

Volunteer Firefighters' and Rescue Squad Workers' Fund

Volunteer firefighters and rescue squad workers may participate in an optional employment benefit plan. This optional plan is authorized by the *Code of Virginia*. The board of trustees of the VRS manages the investments of the fund as custodian. Members of the plan contribute \$30 per quarter. The Commonwealth will contribute an amount determined by the board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed 20 years. For fiscal year 2008, \$78,000 was appropriated. At June 30, 2008, there were 1,389 workers participating in the fund.

15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. VRS Administered Plans

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

Group Life Insurance Benefits

Employees who retire or terminate from service after age 50 with at least ten years of service credit or at age 55 with at least five years of service credit (age 50 for vested state police officers, other state law enforcement and correctional officers and hazardous duty employees of participating political subdivisions), or who retire because of disability, are entitled to post-employment group life insurance benefits. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25 percent on January 1 of the first full calendar year following retirement or termination and on January 1 of each year thereafter, until it reaches 25 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia*. There were approximately 128,502 retirees in the program in fiscal year 2008.

Since 1960, when the group life insurance program was established, a portion of the premium contributions collected during members' active careers has been placed in an advance premium deposit reserve. This reserve was established to pre-fund death benefits to members after retirement.

Employers providing life insurance benefits are part of a cost-sharing pool. Therefore, separate measurements of assets and actuarial accrued liabilities are not made for individual employers participating in the program.

Retiree Health Insurance Credit Program

The Retiree Health Insurance Credit Fund was established on January 1, 1990, to provide benefits for retired state employees, state police officers, other state law enforcement and correctional officers and judges who have at least 15 years of service credit under the retirement plans. The program provides a credit reimbursement of \$4 per month per year of service credit against the monthly health insurance premiums of eligible retirees.

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The amount required to fund all credits is financed on a current disbursement basis by the employers based on contribution rates determined by the system's actuary. Approximately 80,115

retired members were covered under this program at June 30, 2008. The Retiree Health Insurance Credit Program is a cost-sharing, multiple-employer defined benefit OPEB plan.

Disability Insurance Trust Fund

The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program. There were approximately 2,353 former members receiving benefits from the program during fiscal year 2008. The Disability Insurance Trust Fund is a single-employer defined Benefit OPEB plan.

B. Other Plans

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

Line of Duty Death and Disability

The Commonwealth provides death and health benefits to the beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty. An irrevocable trust fund was established on July 1, 2007, to account for the activity related to this plan. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the *Code of Virginia*. The significant accounting policies for this plan are the same as those described in Note 13 for pension plans. The Line of Duty and Disability is administered by the Department of Accounts. There were approximately 1,047 retirees in the program in fiscal year 2008.

Pre-Medicare Retiree Healthcare

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. The significant accounting policies for this plan are the same as those described in Note 13 for pension plans. The Pre-Medicare Retiree Healthcare is administered by Department of Human Resource Management. There were approximately 8,531 retirees in the program in fiscal year 2008.

C. Annual OPEB Cost and Net OPEB Obligation

The Government Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*,

which requires additional reporting and disclosures for OPEB plans beginning with the fiscal year ending June 30, 2008, prospectively. The Commonwealth calculated an OPEB liability as of June 30, 2008, for each of the five OPEB plans. The VSDP and Pre-Medicare Healthcare OPEB liabilities were \$19.5 million and \$95.1 million, respectively. An OPEB asset of \$240,000 was calculated for the Line of Duty Death and Disability Trust Fund.

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

	Group Life Insurance Fund	Retiree Health Insurance Credit Fund	Disability Insurance Trust Fund	Line of Duty Death and Disability Trust Fund	Pre-Medicare Retiree Healthcare
	2008	2008	2008	2008	2008
Annual required contribution	\$ 48,000	\$ 62,387	\$ 97,689	\$ 9,786	\$ 127,156
Interest on net OPEB obligation	-	-	-	-	-
Adjustment to annual required contribution	-	-	-	-	-
Annual OPEB cost	48,000	62,387	97,689	9,786	127,156
Contributions made	(48,000)	(62,387)	(78,151)	(10,026)	(32,056)
Increase in net OPEB obligation	-	-	19,538	(240)	95,100
Net OPEB obligation, beginning of year	-	-	-	-	-
Net OPEB obligation (Asset), end of year	\$ -	\$ -	\$ 19,538	\$ (240)	\$ 95,100
Percentage of annual OPEB cost contributed	100.0%	100.0%	80.0%	102.5%	25.2%

The amounts in the previous table include Governmental and Component Unit activity for which the Commonwealth is considered the employer. It does not include the OPEB liability for the Virginia Economic Development Partnership (component unit), the Virginia Tourism Authority (component unit), and the Virginia National Defense Industrial Authority (component unit) of \$168,935, \$84,123, and \$5,878, respectively. The table also excludes non-Commonwealth sponsored OPEB liabilities of \$6.7 million for all other Component Units.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2006, for all but Pre-Medicare Retiree Healthcare for which the June 30, 2007, valuation was used, as that is the most recent report that reflects the current funding

policies. Employer contributions by the Commonwealth for Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance were 1.0 percent, 1.2 percent, and 2.0 percent, respectively, of covered payrolls. The valuations were prepared using the entry age normal cost method for all plans except for the Disability Insurance and Line of Duty Trust funds for which the Projected Unit Credit actuarial cost method was used. The actuarial assumptions for all but the Pre-Medicare Retiree Healthcare plan included (a) 7.5 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 2.5 percent to 3.0 percent, including a 2.5 percent inflation component. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five year period. The remaining closed amortization period at June 30, 2008, was

30 years. The actuarial assumptions for the Pre-Medicare Retiree Healthcare plan as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate include (a) 4.97 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.75 percent to 5.6 percent, including a 2.5 percent inflation component; and, (c) assumption that there is no liability associated with those retirees eligible for Medicare, as costs for members aged 65 and older are not subsidized by the active population

(no implicit subsidy), participants pay 100 percent of the costs, and the liability associated with the health insurance credit is measured and held by the Virginia Retirement System. Initial healthcare costs trend rates used were 10 percent, 11 percent, and 6 percent for medical, pharmacy, and dental benefits, respectively. The ultimate trend rates used were 5 percent, 5 percent, and 4 percent for medical, pharmacy, and dental benefits, respectively. The remaining closed amortization period at June 30, 2008 is 30 years.

D. Funded Status and Funding Progress

The funded status of the plans as of June 30, 2008, was as follows:

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Group Life Insurance Fund						
2007	\$ 880	\$ 1,552	\$ 672	56.7%	\$ 14,822	4.5%
Retiree Health Insurance Credit Fund						
2007	\$ 198	\$ 1,814	\$ 1,616	10.9%	\$ 10,571	15.3%
Disability Insurance Trust Fund						
2007	\$ 264	\$ 451	\$ 187	58.5%	\$ 3,909	4.8%
Line of Duty Death and Disability Trust Fund						
2008	\$ 3	\$ 185	\$ 182	1.6%	\$ N/A	-
Pre-Medicare Retiree Healthcare Fund						
2007	\$ -	\$ 982	\$ 982	-	\$ 2,931	33.5%

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Amounts determined regarding the funded status of the plans and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs

between the employer and plan members to that point. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Higher Education Fund (Component Unit)

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

F. Other Component Units

The Virginia Housing Development Authority (major component unit) has a Retiree Health Care Plan, a single-employer defined benefit plan which is administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust, an irrevocable trust to be used solely for providing benefits to eligible participants. Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service or at least 55 years of age with 10 years of service if employed by the Authority prior to such date. For the year ended June 30, 2008, the Authority's Annual OPEB cost was \$753,288; the percentage of Annual OPEB Cost Contributed was 100 percent; and the ending Net OPEB asset was \$29,736.

Hampton Roads Sanitation District Commission (nonmajor component unit) provides other post-employment benefits for its employees through a single employer defined benefit plan. The plan was established and may be amended by the Commission. For 2008, the Commission's annual OPEB cost was \$1.8 million; the percentage of annual OPEB cost contributed was 100 percent; and the ending net OPEB obligation was zero.

The Virginia Port Authority (nonmajor component unit) offers post retirement medical and dental benefits to employees who retire under either VRS or the Virginia Port Authority pension plan. For employees and their spouses, who are participants in the VPA medical plan, not participants under the state health care plan VRS, benefit provisions and obligations are established and may be amended by the board of commissioners of the Authority. For the year ended June 30, 2008, the Authority's annual OPEB cost was \$32,137; contribution towards OPEB cost was \$11,377; the percentage of annual OPEB cost contributed was 35.4 percent; and the ending net OPEB obligation was \$43,514.

16. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Virginia Retirement System (VRS) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The VRS contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, and record keeping associated with state employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the VRS for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the VRS has no fiduciary relationship with plan participants, plan assets of \$1,059.3 million are not included in the financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan who have been employed at least one year. The match amount for an employee was established at 50 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was \$20 per pay period or \$40 per month. The fair value of assets in the cash match savings plan at June 30, 2008, was \$152.7 million, which is also excluded from the financial statements.

The Virginia Housing Development Authority (major component unit) and the Virginia Resources Authority (nonmajor component unit) have deferred compensation plans available to all employees created in accordance with Internal Revenue Section 457. The plans permit participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the plans are in irrevocable trusts with an external trustee and, accordingly, no assets or liabilities are reflected in the financial statements.

The Virginia Port Authority (VPA) (nonmajor component unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under the deferred compensation plan administered by the VRS as discussed above. The VPA deferred compensation plan covers all employees hired after July 1, 1997, and those employees electing coverage under the authority's deferred compensation plan. The VPA also offers a matching savings plan that covers substantially all employees. The matching savings plan requires the VPA to match contributions in an amount equal to 50 percent of the first six percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was \$167,685 for the fiscal year ended June 30, 2008. Further, the right to modify, alter, amend, or terminate the deferred compensation plan and matching savings plan rests with the VPA board of commissioners.

The third deferred compensation plan and second matching savings plan covers substantially all non-union employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to 50 percent of the first three percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was \$334,396 for the fiscal year ended June 30, 2008.

The Hampton Road Sanitation District Commission (nonmajor component unit) adopted a post-retirement health benefit for qualifying employees beginning after July 1, 2002. The program furnishes health and dental benefits for life for all employees with at least 15 years of service and who also qualify for an unreduced retirement benefit through the VRS. The program allows the retiree at their expense to cover their spouse and dependent under the district's health care provider. Contribution requirements are actuarially determined and funding is subject to approval by the commission. The current rate is 5.1 percent of annual covered payroll.

17. STATE NON-ARBITRAGE POOL

The Commonwealth sponsors the Virginia State Non-Arbitrage Program (SNAP) for use by the Commonwealth and local governments to invest bond proceeds. The Commonwealth's responsibility is limited to hiring service providers to manage SNAP. The investment manager and the custodian have the fiduciary responsibility for SNAP.

The SNAP fund, a money market mutual fund registered with the Securities and Exchange Commission, is a series of the Commonwealth Cash Reserve Fund, Inc., a diversified, open-end management investment company (corporation). Shares of the SNAP fund are solely available to investors participating in the SNAP program. The corporation's board of directors has overall responsibility for supervising the SNAP fund's business and affairs, including the oversight of organizations providing investment advisory, administration, and distribution services to the SNAP fund. PFM Asset Management LLC serves as the investment adviser of the SNAP fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of \$2.7 billion are not included in the financial statements.

18. COMMITMENTS

A. Construction Projects

Highway Projects

At June 30, 2008, the Department of Transportation (part of primary government) had contractual commitments of approximately \$2.2 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) federal funds – approximately 44 percent or \$983.0 million, (2) state funds – approximately 51 percent or \$1.1 billion, and (3) Proceeds from Bonds – approximately five percent or \$113.0 million.

Mass Transit Projects

At June 30, 2008, the Department of Rail and Public Transportation (part of primary government) had contractual commitments of approximately \$204.4 million for various public transportation, rail preservation, and rail enhancement projects. Funding of the future expenditures is expected to be as follows: (1) state funds - approximately 85 percent or \$173.0 million, and (2) federal funds - approximately 15 percent or \$31.4 million.

Port Projects

At June 30, 2008, the Virginia Port Authority (nonmajor component unit) was committed to construction contracts totaling \$311.0 million.

Sanitation District Project

At June 30, 2008, the Hampton Roads Sanitation District Commission (nonmajor component unit) was committed to construction programs totaling \$24.3 million.

Higher Education Institutions

Colleges and universities (component units) had contractual commitments as of June 30, 2008, of approximately \$1.1 billion primarily for construction contracts. Higher education foundations' commitments total approximately \$45.3 million and are primarily for construction contracts.

B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2008, was \$77.9 million for governmental activities (including internal service funds) and \$19.2 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2008, was \$95.1 million. The Commonwealth has, as of June 30, 2008, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		Component
	Governmental Activities	Business-type Activities	Units (1)
2009	\$ 62,636	\$ 18,110	\$ 65,549
2010	44,743	15,407	49,697
2011	38,406	12,346	38,463
2012	33,463	7,749	30,974
2013	26,718	4,300	23,948
2014-2018	63,044	2,253	54,432
2019-2023	2,503	-	12,958
2024-2028	177	-	2,114
2029-2033	24	-	823
2034-2038	72	-	823
2039-2043	-	-	823
2044-2048	-	-	823
2049-2053	-	-	329
Total	\$ 271,786	\$ 60,165	\$ 281,756

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

Foundations (2)

2009	\$	1,996
2010		1,546
2011		1,319
2012		1,299
2013		1,142
Thereafter		6,941
Total	\$	14,243

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2008, was approximately \$1.7 million.

Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

C. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2008, amounted to \$4.6 billion.

D. Tobacco Grants

The Tobacco Indemnification and Community Revitalization Commission (Commission) (nonmajor component unit) has \$97.0 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2008, in accordance with GASB Statement No. 33. The Commission awarded an additional \$50.6 million in grants in July 2008 that are also not reflected in these statements.

The Virginia Tobacco Settlement Foundation (nonmajor component unit) has \$10.9 million in grant commitments and outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2008, in accordance with GASB Statement No. 33.

E. Other Commitments

The Virginia Land Conservation Foundation (nonmajor component unit) has \$6.2 million in grant award commitments, which were not dispersed since eligibility requirements were not met as of June 30, 2008, in accordance with GASB Statement No. 33.

The Virginia University Research Partnership (nonmajor component unit) has \$6.0 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2008, in accordance with GASB Statement No. 33.

The Virginia Small Business Financing Authority (nonmajor component unit) has \$2.2 million in loan commitments in the Federal Economic Development Loan Fund and in the Small Business Environmental Compliance Assistance Fund as of June 30, 2008, in accordance with GASB Statement No. 33.

19. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours. The maximum compensation for annual leave balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 14). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave state service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or \$5,000. All employees leaving state service are paid for accrued annual leave up to the maximum calendar year limit at their current earnings rate.

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated annual and sick leave and disability credits payable upon termination is included in the accompanying financial statements. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, amounts are segregated into two components – the amount due within one year and the amount due in more than one year. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for

separations that occurred prior to June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Assets (see Note 23). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2008, was computed using salary rates effective at that date, and represents vacation, compensatory and sick leave earned or disability credits held up to the allowable ceilings.

20. INSURANCE

A. Self-Insurance

The Commonwealth maintains two types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for Commonwealth employees. The plan is accounted for in the Health Care – internal service fund. Interfund premiums are accounted for as internal activity receipts from other funds. At June 30, 2008, \$97.6 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.T. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2007-2008 \$	90,736	\$ 863,346	\$ (856,451)	\$ 97,631
2006-2007 \$	81,474	\$ 768,965	\$ (759,703)	\$ 90,736

- (1) Of the balance shown above, \$97.6 million is due within one year.

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management - internal service fund. The Department of Treasury

administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. At June 30, 2008, \$375.5 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of three percent. Undiscounted claims payable at June 30, 2008, is \$472.8 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

		Current		
		Year Claims		
	Balance	and Changes	Claim	Balance
	July 1,	in Estimates	Payments	June 30, (1)
2007-2008	\$ 281,489	\$ 154,558	\$ (60,513)	\$ 375,534
2006-2007	\$ 272,128	\$ 66,654	\$ (57,293)	\$ 281,489

- (1) Of the balance shown above, \$58.4 million is due within one year.

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort and automobile liability is assumed at a maximum of \$2,000,000 per occurrence. Medical malpractice liability is assumed at the maximum of \$2,000,000 per occurrence recovery limit stated in Section 8.01-581.15 of the *Code of Virginia*. Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

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

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

Estimated Malpractice Losses

	Balance	Claims	Claims	Balance
	July 1,	Expense	Settled	June 30, (1)
2007-2008	\$ 30,898	\$ 1,610	\$ (1,494)	\$ 31,014
2006-2007	\$ 32,142	\$ 1,972	\$ (3,216)	\$ 30,898

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

Estimated Workers' Compensation Losses

	Balance	Claims	Claims	Balance
	July 1,	Expense	Settled	June 30, (1)
2007-2008	\$ 11,396	\$ 8,505	\$ (2,099)	\$ 17,802
2006-2007	\$ 11,529	\$ 1,702	\$ (1,835)	\$ 11,396

- (1) Of the balance shown above, \$2.1 million is due within one year.

In addition, expenses and liabilities arising from services rendered to VA Premier's and Carolina Crescent Health Plan's (component units of the Authority) HMO members are reported when it is probable that services have been provided and the amount of the claim can be reasonably estimated. The claims payable includes an estimate of claims that have been incurred but not reported. At June 30, 2008 the amount of these liabilities is \$43,962,019 and is reported as Claims Payable – Due Within One Year. This liability is VA Premier's best estimate based on available information. Previously, this liability was reported as Other Liabilities.

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

The Virginia Port Authority (nonmajor component unit) is partially self-insured for certain workers' compensation claims. The authority maintains insurance coverage of \$5,000,000 per claim, but is obligated to pay the first \$1,000,000 of any individual's claims per incident. The authority is also partially self-insured for employee health coverage. The authority is responsible for actual claim costs up to \$75,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of \$4,912,504.

B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 248 local government units participating in the pool. This includes 28 school districts, 30 counties, 94 cities/towns, and 96 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2008, \$19.2 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

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

The Department of Treasury, Division of Risk Management administers risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval of the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Local participation is voluntary and open to any political subdivision. As of June 30, 2008, there were 550 units of local government in the pool, including 4 cities, 39 towns, and 33 counties. The remaining 474 units include a large variety of boards, commissions, authorities, and special districts.

The pool has a minimum membership period of one year. However, a member group can cancel their membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with 30 days notice.

The pool is actuarially valued annually and is considered sound. Investment income is considered in the anticipation of premium deficiencies. No excess insurance or reinsurance is provided, but a "stability fund" is incorporated into the actuarially determined required reserves. If, however, the plan assets and reserves were to be exhausted, the members would be responsible for any deficits or liabilities. For the liability insurance pool, local participation is voluntary and open to any political subdivision. The risk assumed by the local public entity pool for member liability is \$1,000,000 per occurrence.

At June 30, 2008, \$13.2 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

The following schedule (dollars in thousands) shows the changes in claims liabilities for the past two fiscal years.

	Local Choice Health Care		Risk Management	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Unpaid Claims and Claim				
Adjustment Expenses at Beginning of Fiscal Year	\$ 16,549	\$ 16,573	\$ 13,450	\$ 12,804
Incurring Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	184,578	162,536	1,413	2,928
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	(1,431)	(1,841)
Total Incurred Claims and Adjustment Expenses	184,578	162,536	(18)	1,087
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	181,916	162,560	493	106
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	-	-	-	1,344
Total Payments	181,916	162,560	493	1,450
Change in Provision for Discounts	-	-	308	260
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	\$ 19,211	\$ 16,549	\$ 13,247	\$ 12,701
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	\$ 19,211	\$ 16,549	\$ 14,072	\$ 13,450

Note (1): The entire balance for Local Choice Health Care, \$19,211 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, \$4,764 (dollars in thousands) is due within one year.

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

21. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2008.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	\$ 176,553	\$ 109,181	\$ 1,771	\$ -	\$ -	\$ 287,505
Major Special Revenue Funds:						
Commonwealth Transportation	217,526	35,476	4,299	-	-	257,301
Federal Trust	86,444	14,611	-	11	-	101,066
Literary	207	-	-	-	-	207
Nonmajor Governmental Funds	35,748	28,691	6,953	204	-	71,596
Major Enterprise Funds:						
State Lottery (2)	4,387	1,501	-	3,452	-	9,340
Virginia College Savings Plan (2)	297	239	-	1,391	-	1,927
Unemployment Compensation	-	139	-	-	-	139
Nonmajor Enterprise Funds	31,628	4,280	-	10	-	35,918
Internal Service Funds	54,506	3,485	-	-	-	57,991
Private Purpose	1,898	105	4	-	-	2,007
Pension and Other Employee Benefit Trust (3)	391	1,697	-	74,800	-	76,888
Agency Funds	2,049	2	-	9,715	-	11,766
Total Primary Government (4)	\$ 611,634	\$ 199,407	\$ 13,027	\$ 89,583	\$ -	\$ 913,651
Discrete Component Units:						
Virginia Housing Development Authority	\$ 20,783	\$ -	\$ -	\$ -	\$ -	\$ 20,783
Virginia Public School Authority	20	-	-	-	-	20
University of Virginia	125,938	59,036	9,733	1,194	148,680	344,581
Virginia Polytechnic Institute and State University	39,910	53,970	4,170	1,500	12,102	111,652
Virginia Commonwealth University	54,503	68,244	9,176	-	6,255	138,178
Nonmajor Component Units	191,214	152,816	32,868	492	16,587	393,977
Total Component Units	\$ 432,368	\$ 334,066	\$ 55,947	\$ 3,186	\$ 183,624	\$ 1,009,191

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

Note (2): Other Accounts Payable for the State Lottery represents administrative costs payable. Other Accounts Payable for the Virginia College Savings Plan represents investment fees payable.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of \$27,407 (dollars in thousands) in investment management expense, \$27,588 (dollars in thousands) of other investment payables generally related to Futures and month-end rebalancing items, \$11,259 (dollars in thousands) in program benefit liabilities, and \$8,546 (dollars in thousands) of investment interest payable.

Note (4): Fiduciary liabilities of \$90,661 (dollars in thousands) are not included in the Government-wide Statement of Net Assets, and Nonmajor Enterprise Fund liabilities of \$2,720 (dollars in thousands) are shown as internal balances in the Government-wide Statement of Net Assets. In addition, governmental fund liabilities of \$33,974 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

22. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2008.

	Primary Government				
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	State Lottery
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ 46,335
Due to Program Participants, Escrow s, and Providers	-	-	-	-	-
Medicaid Payable	213,501	-	210,296	-	-
Family Access to Medical Insurance Security Payable	1,715	-	3,185	-	-
Tax Refunds Payable	409,990	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	1,736	2,416	-	2,532	-
Car Tax Refund Payable	263,025	-	-	-	-
Other Liabilities	-	-	-	2,802	-
Total Other Liabilities	\$ 889,967	\$ 2,416	\$ 213,481	\$ 5,334	\$ 46,335

	Primary Government (continued)				
	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Funds
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Program Participants, Escrows, and Providers	117	31,038	-	-	114
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	-	-	179	294	-
Car Tax Refund Payable	-	-	-	-	-
Other Liabilities	-	-	79	5,397	-
Total Other Liabilities	\$ 117	\$ 31,038	\$ 258	\$ 5,691	\$ 114

(Continued on next page)

Primary Government (continued)

	Pension and Other Employee Benefit Trust Funds	Agency Funds	Total Primary Government (1)
Lottery Prizes Payable	\$ -	\$ -	\$ 46,335
Due to Program Participants, Escrows, and Providers	-	25,870	57,139
Medicaid Payable	-	-	423,797
Family Access to Medical Insurance Security Payable	-	-	4,900
Tax Refunds Payable	-	-	409,990
Insurance Carrier Surety Deposit	-	418,124	418,124
Deposits Pending Distribution	-	35,885	43,042
Car Tax Refund Payable	-	-	263,025
Other Liabilities	35,744	2,338	46,360
Total Other Liabilities	\$ 35,744	\$ 482,217	\$ 1,712,712

Note (1): Fiduciary liabilities of \$518,075 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, \$33,652 (dollars in thousands) reported in pension and other employee benefit trust funds is related to funds that VRS holds and invests for the Commonwealth Health Research Fund. Governmental fund liabilities of \$261,136 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

Component Units

	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute & State University	Virginia Commonwealth University
Accrued Interest Payable	\$ 107,508	\$ 63,686	\$ 1,140	\$ 539	\$ 4,686
Other Liabilities	-	471	66,718	23,154	53,459
Deposits Pending Distribution	-	-	567,397	15,232	26,786
Short-term Debt	-	-	66,040	1,955	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	\$ 107,508	\$ 64,157	\$ 701,295	\$ 40,880	\$ 84,931

Component Units (continued)

	Nonmajor Component Units	Total Component Units
Accrued Interest Payable	\$ 62,897	\$ 240,456
Other Liabilities	43,971	187,773
Deposits Pending Distribution	21,061	630,476
Short-term Debt	20,821	88,816
Grants Payable	11,191	11,191
Total Other Liabilities	\$ 159,941	\$ 1,158,712

Medicaid Payable

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

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2008, the estimated liability related to Medicaid claims totaled \$423.8 million. Of this amount, \$213.5 million is reflected in the General Fund (major) and \$210.3 million in the Federal Trust Special Revenue Fund (major).

Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2008, the estimated liability related to claims totaled \$4.9 million. Of this amount, \$1.7 million is reflected in the General Fund (major) and \$3.2 million in the Federal Trust Special Revenue Fund (major).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2007, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2008. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

Car Tax Refund Payable

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

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

Short-term Debt

Various higher education institutions' foundations (component units) have short-term debt. University of Virginia Foundations (major component unit) report \$48.5 million and nonmajor component unit foundations report \$19.1 million. This short-term debt is for working capital, property acquisition, construction costs, and operating costs. The University of Virginia (major component unit) has commercial paper of \$17.6 million and the Virginia Polytechnic Institute and State University (major component unit) reports \$2.0 million of commercial paper that provides bridge financing for capital projects. The Roanoke Higher Education Authority (nonmajor component unit) reports \$1.4 million of short-term debt for a construction loan. The Virginia Horse Center Foundation (nonmajor component unit) has a \$250,000 line of credit used for short-term working capital.

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

23. LONG-TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith, credit, and taxing power of the Commonwealth. No other long-term debt or obligations are backed by the full faith, credit, and taxing power of the Commonwealth.

Section 9(d) bonds are revenue bonds and are not backed by the full faith, credit and taxing power of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt may be supported by state appropriations in whole or in part, as in the case of certain debt of the VPA (nonmajor component unit), VPBA (part of primary government), ITA (nonmajor component unit), and VCBA (nonmajor component unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (component units). Additionally, the 9(d) Transportation Bonds (primary government) are payable solely from revenues or earnings, and other available sources of funds appropriated by the General Assembly.

Certain 9(d) bonds are considered, with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bond issues and short-term debt supported by tax revenues (net of sinking fund requirements), for which debt service payments are made or are ultimately pledged to be made from general governmental funds.

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. However, in some cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt

service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund. These bonds are considered to be moral obligation debt.

The following schedule presents the total long-term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Assets.

Total Long-term Liabilities		
June 30, 2008		
	Balance At June 30	Amount Due Within One Year
<i>(Dollars in Thousands)</i>		
Primary Government:		
Governmental Activities: (1)		
General Obligation Bonds: (2)		
9(b) Transportation Facilities (3)	\$ 18,622	\$ 5,415
9(b) Public Facilities (3)	916,483	67,860
9(c) Parking Facilities (3)	7,590	1,000
9(c) Transportation Facilities (3)	59,294	7,549
Total General Obligation Bonds	1,001,989	81,824
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	1,625,804	162,960
Virginia Public Building Authority (3)	1,719,455	124,745
Total Nongeneral Obligation Bonds	3,345,259	287,705
Other Long-term Obligations:		
Pension Liability	878,579	-
OPEB Liability	57,473	-
Compensated Absences	345,361	170,754
Capital Lease Obligations	113,477	9,760
Regional Jail Financing Payable	9,980	1,749
Notes Payable	23,040	2,976
Installment Purchase Obligations	54,761	5,734
Industrial Development Authority Obligations	14,640	4,615
Economic Development Authority Obligations (3)	96,992	3,345
Other Liabilities	20,203	3,600
Total Other Long-term Obligations	1,614,506	202,533
Total Governmental Activities (3)	5,961,754	572,062
Business-type Activities: (1) (5)		
Other Long-term Obligations:		
Pension Liability	18,887	-
OPEB Liability	1,551	-
Compensated Absences	8,761	4,464
Capital Lease Obligations	2,347	428
Installment Purchase Obligations	1,735	771
Tuition Benefits Payable	1,891,424	112,236
Lottery Prizes Payable	332,726	62,734
Total Other Long-term Obligations	2,257,431	180,633
Total Business-type Activities	2,257,431	180,633
Total Primary Government	8,219,185	752,695

(Continued on next page)

Total Long-term Liabilities
June 30, 2008
(continued from previous page)

<i>(Dollars in Thousands)</i>	Balance At June 30	Amount Due Within One Year
Component Units:		
General Obligation Bonds: (2)		
Higher Education Fund - 9(c) Bonds (3)	487,296	36,200
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	1,147,172	21,581
Virginia College Building Authority (3)	899,572	85,983
Innovative Technology Authority	6,270	855
Virginia Port Authority (3) (6)	511,578	22,079
Virginia Housing Development Authority (3) (7)	6,878,987	270,813
Virginia Resources Authority (3) (7)	1,782,941	65,465
Virginia Public School Authority (3) (5)	3,030,087	204,267
Hampton Roads Sanitation District Commission (5)	359,904	12,551
Virginia Biotechnology Research Park Authority (3) (8)	57,867	3,468
Foundations (5) (9)	695,199	26,712
Total Nongeneral Obligation Bonds	15,369,577	713,774
Other Long-term Obligations:		
Pension Liability (10)	358,881	-
OPEB Liability (11)	62,185	-
Compensated Absences	229,910	149,442
Capital Lease Obligations	136,773	7,936
Notes Payable (5)	1,293,035	160,926
Installment Purchase Obligations	118,811	19,772
Trust and Annuity Obligations (12)	1,003	13
Other Liabilities (5)	262,668	42,056
Total Other Long-term Obligations (Excluding Foundations)	2,463,266	380,145
Other Long-term Obligations (Foundations): (5) (9)		
Pension Liability	49,351	-
Compensated Absences	7,705	6,122
Capital Lease Obligations	295	114
Notes Payable	209,333	27,681
Installment Purchase Obligations	43	31
Trust and Annuity Obligations (12)	90,337	2,806
Other Liabilities	50,449	9,317
Total Other Long-term Obligations - Foundations	407,513	46,071
Total Other Long-term Obligations	2,870,779	426,216
Total Component Units	18,727,652	1,176,190
Total Long-term Liabilities	\$ 26,946,837	\$ 1,928,885

1. Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
2. Total general obligation debt of the Commonwealth is \$1,489.3 million.
3. Amounts are net of any unamortized discounts, premiums, and deferrals.
4. This debt includes \$677.3 million that is not supported by taxes.
5. This debt is not supported by taxes.
6. This debt includes \$293 million that is not supported by taxes.
7. This debt is not supported by taxes; however, \$391.7 million from VHDA and \$681.9 million from VRA is considered moral obligation debt.
8. This debt includes \$10 million that is not supported by taxes.
9. Foundations represent FASB reporting entities defined in Note 1.B.
10. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of \$4.1 million and Virginia Port Authority of \$4.5 million. It does not include pension obligations from fiduciary funds of \$4.5 million.
11. This includes OPEB obligations that do not relate to the Virginia Retirement System from University of Virginia of \$6.7 million and Virginia Port Authority of \$43,514. It does not include OPEB obligations from fiduciary funds of \$436,241.
12. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include \$18,622,040 of Section 9(b) general obligation bonds, \$59,294,107 of Section 9(c) general obligation bonds and \$948,507,697 of Section 9(d) revenue bonds. The Transportation Facilities Section 9(d) debt of \$1,625,803,895 includes \$677,296,198 of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes in addition to the outstanding Section 9(d) revenue bonds. 9(b) Principal and interest requirements for the current year totaled \$6,243,500. 9(c) Principal and interest requirements for the current year totaled \$13,700,669. 9(d) Principal and interest requirements for the current year totaled \$238,098,958. The Section 9(b) Transportation Facilities bonds represent Powhite Refunding Bonds. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the Omer L. Hirst - Adelard L. Brault Expressway and the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). The Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes were issued to finance various capital transportation projects throughout the Commonwealth. The interest rates for these bonds range from two percent to 7.25 percent and the issuance dates range from June 28, 1989, to February 15, 2007.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(b) and 9(c) bonds and 9(d) debt:

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

Maturity	Principal	Interest	Total
2009	\$ 5,415,000	\$ 857,000	\$ 6,272,000
2010	5,715,000	586,250	6,301,250
2011	6,010,000	300,500	6,310,500
Less:			
Deferral on			
Debt Defeasance	(355,000)	-	(355,000)
Add:			
Unamortized Premium	1,837,040	-	1,837,040
Total	<u>\$ 18,622,040</u>	<u>\$ 1,743,750</u>	<u>\$ 20,365,790</u>

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

Maturity	Principal	Interest	Total
2009	\$ 7,549,000	\$ 2,522,950	\$ 10,071,950
2010	4,585,000	2,346,350	6,931,350
2011	4,795,000	2,136,100	6,931,100
2012	5,045,000	1,896,350	6,941,350
2013	5,295,000	1,644,100	6,939,100
2014-2018	22,860,000	4,322,400	27,182,400
2019-2023	8,855,000	717,400	9,572,400
Less:			
Unamortized			
Discount	(183,501)	-	(183,501)
Deferral on			
Debt Defeasance	(1,863,600)	-	(1,863,600)
Add:			
Unamortized Premium	2,357,208	-	2,357,208
Total	<u>\$ 59,294,107</u>	<u>\$ 15,585,650</u>	<u>\$ 74,879,757</u>

9(d) TRANSPORTATION FACILITIES DEBT Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2009	\$ 162,960,000	\$ 70,589,474	\$ 233,549,474
2010	176,790,000	62,494,092	239,284,092
2011	185,490,000	53,622,701	239,112,701
2012	141,000,000	45,637,179	186,637,179
2013	145,655,000	38,593,144	184,248,144
2014-2018	427,360,000	121,178,408	548,538,408
2019-2023	218,675,354	39,213,794	257,889,148
2024-2028	70,897,586	5,382,356	76,279,942
2029-2032	7,475,728	-	7,475,728
Less:			
Unamortized			
Discount	(65,327)	-	(65,327)
Deferral on			
Debt Defeasance	(7,789,189)	-	(7,789,189)
Add:			
Accretion on Capital			
Appreciation			
Bonds	12,048,685	-	12,048,685
Unamortized Premium	85,306,058	-	85,306,058
Total	<u>\$ 1,625,803,895</u>	<u>\$ 436,711,148</u>	<u>\$ 2,062,515,043</u>

Fairfax Economic Development Authority Obligations

In fiscal year 2006, the Fairfax County Economic Development Authority (EDA) issued Section 9(d) revenue bonds to pay for the Commonwealth's (VDOT) costs of the planning, design and construction of a transportation infrastructure and related public safety operations complex to be developed on the contiguous sites in the county commonly referred to as "Camp 30" for the joint use of VDOT and the county. The Commonwealth's obligation is set out in a payment agreement between Fairfax County EDA and the Commonwealth of Virginia, Department of Transportation, in which the Commonwealth agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 4.25 percent to five percent and the issue date was April 12, 2006. The principal and interest requirements for current year totaled \$7,830,188. The following schedule details the annual funding requirements necessary to repay these bonds:

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 3,345,000	\$ 4,480,687	\$ 7,825,687
2010	3,515,000	4,313,437	7,828,437
2011	3,690,000	4,137,688	7,827,688
2012	3,875,000	3,953,188	7,828,188
2013	4,070,000	3,759,438	7,829,438
2014-2018	23,605,000	15,534,688	39,139,688
2019-2023	29,805,000	9,338,713	39,143,713
2024-2026	21,420,000	2,064,400	23,484,400
Add:			
Unamortized Premium	3,666,664	-	3,666,664
Total	\$ 96,991,664	\$ 47,582,239	\$ 144,573,903

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 1996 Refunding, Series 1997, Series 1998 Refunding, Series 1998, Series 1999A, Series 2002 Refunding, Series 2003A Refunding, Series 2004A, Series 2004B Refunding, Series 2005A, Series 2006A Refunding, Series 2006B, Series 2007A, Series 2007B, and Series 2008A. Bonds were issued to fund construction projects for higher educational institutions, mental health, and/or park facilities. The Series 2003A bonds were issued to advance refund outstanding Series 1993A and B, Series 1994, and Series 1996 bonds. The Series 2004B bonds were issued to advance refund outstanding Series 1997, Series 1998, and Series 1999A bonds. The Series 2006A bonds were issued to advance refund outstanding Series 1996 bonds. Principal and interest requirements for the current year totaled \$95,380,384. The interest rates for all bonds range from two percent to 5.5 percent and the issuance dates range from June 6, 1996, to June 18, 2008. The following schedule details the annual funding requirements necessary to repay these bonds:

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 67,860,000	\$ 41,130,276	\$ 108,990,276
2010	67,750,000	38,233,233	105,983,233
2011	67,690,000	35,096,383	102,786,383
2012	67,480,000	31,888,545	99,368,545
2013	67,265,000	28,583,935	95,848,935
2014-2018	249,045,000	99,095,050	348,140,050
2019-2023	187,470,000	49,143,944	236,613,944
2024-2028	102,840,000	10,686,344	113,526,344
Less:			
Deferral on			
Debt Defeasance	(7,830,600)	-	(7,830,600)
Add:			
Unamortized Premium	46,913,267	-	46,913,267
Total	\$ 916,482,667	\$ 333,857,710	\$ 1,250,340,377

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 1996, 2002 Refunding, 2003A, 2004A and 2006A Refunding. The Series 1996 bonds were issued to fund the renovation of the Seventh and Marshall Street parking deck. The Series 2002 Refunding bonds were issued to advance refund outstanding Series 1996 and Series 1993 Refunding bonds. The Series 2004A bonds were issued to fund the renovation of the Ninth and Franklin Street parking deck. The Series 2006A Refunding bonds were issued to advance refund outstanding Series 1996 outstanding bonds. The interest rates for these bonds range from 2.5 percent to 5.7 percent and the issuance dates range from June 6, 1996, to March 15, 2006. Current year principal and interest requirements totaled \$1,561,126.

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

9(c) PARKING FACILITIES BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 1,000,426	\$ 356,776	\$ 1,357,202
2010	1,046,985	307,004	1,353,989
2011	1,068,102	254,655	1,322,757
2012	260,000	204,000	464,000
2013	270,000	191,000	461,000
2014-2018	1,450,000	744,500	2,194,500
2019-2023	1,770,000	356,750	2,126,750
2024-2028	410,000	18,450	428,450
Less:			
Deferral on			
Debt Defeasance	(221,700)	-	(221,700)
Add:			
Unamortized Premium	536,854	-	536,854
Total	\$ 7,590,667	\$ 2,433,135	\$ 10,023,802

Virginia Public Building Authority

Virginia Public Building Authority (VPBA) Section 9(d) bonds consist of Series 1992B, 1995A, 1996A Refunding, 1997A, 1998A Refunding, 1998B, 1999A, 1999B, 2000A, 2001A, 2002A, 2003A Refunding, 2004A Refunding, 2004B, 2004C Refunding, 2004D Refunding, 2005A Refunding, 2005B Refunding, 2005C, 2005D, 2006A, 2006B, 2007A, and 2008A Refunding. All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The Series 2008A bonds were issued to advance refund outstanding series 1998A Refunding bonds. The interest rates for all fixed rate bonds range from 2.5 percent to 6.6 percent and the issuance dates range from

August 1, 1992, to May 6, 2008. The Series 2005D bonds are variable rate bonds and the rates are reset weekly by the remarketing agent. Current year principal and interest requirements totaled \$182,597,028. The following schedule details the annual funding requirements necessary to repay these bonds:

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 124,745,000	\$ 77,421,941	\$ 202,166,941
2010	132,345,000	69,064,700	201,409,700
2011	132,075,000	63,188,125	195,263,125
2012	130,815,000	56,950,206	187,765,206
2013	131,315,000	50,486,418	181,801,418
2014-2018	536,630,000	165,062,439	701,692,439
2019-2023	272,805,000	72,102,958	344,907,958
2024-2028	203,715,000	17,037,575	220,752,575
Less:			
Unamortized Discount	(2,052,885)	-	(2,052,885)
Deferral on Debt Defeasance	(26,609,456)	-	(26,609,456)
Add:			
Unamortized Premium	83,671,857	-	83,671,857
Total	\$ 1,719,454,516	\$ 571,314,362	\$ 2,290,768,878

Regional Jail Financing Program

The Regional Jail Financing Program of the Commonwealth of Virginia Treasury Board was created during the 1993 Session of the General Assembly to establish a method of reimbursing localities, regional jail authorities or other combination of localities for a portion of the capital and financing costs of a jail project, made pursuant to Sections 53.1-80, 53.1-81, or 53.1-82 of the *Code of Virginia*. The General Assembly, upon recommendation from the Department of Planning and Budget, may determine to reimburse localities for approved capital costs over time through a contractual reimbursement agreement between the localities or authority and the Treasury Board. The Board of Corrections determines the amount of reimbursable capital costs. If approved for reimbursement over time, the Treasury Board determines the amount of reimbursable financing costs and calculates the periodic reimbursement payments.

In 1996, the General Assembly adopted legislation that authorized funding of jail project reimbursements through bonds issued by the Virginia Public Building Authority (VPBA). As of June 30, 1998, all future jail reimbursements were approved for funding through the VPBA as opposed to the Treasury Board. All reimbursements whether up front or over time, are subject to appropriation by the General Assembly. Current year principal and interest requirements totaled \$2,632,094.

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

REGIONAL JAILS FINANCING Financial Obligations to Maturity			
<i>Calendar Year</i> <i>Obligations</i>	<i>Capital</i> <i>Costs</i>	<i>Financing</i> <i>Costs</i>	<i>Total</i>
2009	\$ 1,749,353	\$ 884,436	\$ 2,633,789
2010	1,785,867	847,422	2,633,289
2011	1,827,477	808,212	2,635,689
2012	1,869,189	766,526	2,635,715
2013	1,911,009	725,511	2,636,520
2014-2018	837,165	(646,926)	190,239
Total	\$ 9,980,060	\$ 3,385,181	\$ 13,365,241

Industrial Development Authority Obligations

In fiscal year 2002, the Newport News Industrial Development Authority (IDA) issued Section 9(d) revenue bonds to pay a portion of the cost of construction and equipping of the Virginia Advanced Shipbuilding and Carrier Integration Center for use by the Newport News Shipbuilding and Dry Dock Company. The Commonwealth's obligation is set out in a payment agreement between Newport News IDA and the Treasury Board, in which the Treasury Board agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 2.75 percent to 5.03 percent and the issue date was July 27, 2000. Current year principal and interest requirements totaled \$5,290,545. The following schedule details the annual funding requirements necessary to repay these bonds:

NEWPORT NEWS INDUSTRIAL DEVELOPMENT AUTHORITY Debt Service Requirements to Maturity			
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 4,615,000	\$ 678,287	\$ 5,293,287
2010	4,875,000	417,313	5,292,313
2011	5,150,000	141,625	5,291,625
Total	\$ 14,640,000	\$ 1,237,225	\$ 15,877,225

Component Units

Higher Education Institution Bonds

Higher Education Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands):

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	\$ 980,581
College and university debt backed exclusively by pledged revenues of an institution	166,591
Total Higher Education Institution 9(d) debt	\$ 1,147,172

The interest rates for these bonds range from 1.5 percent to 9.25 percent and the issuance dates range from June 30, 1979 to November 21, 2007. The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds:

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 35,499,574	\$ 22,813,618	\$ 58,313,192
2010	36,908,015	21,263,358	58,171,373
2011	34,263,898	19,482,795	53,746,693
2012	30,725,000	17,855,803	48,580,803
2013	31,170,000	16,353,553	47,523,553
2014-2018	125,745,000	60,980,281	186,725,281
2019-2023	98,770,000	34,382,450	133,152,450
2024-2028	71,030,000	13,173,288	84,203,288
2029-2033	19,065,000	2,749,300	21,814,300
2034-2038	3,500,000	425,125	3,925,125
Less:			
Unamortized Discount	(115,640)	-	(115,640)
Deferral on Debt Defeasance	(8,740,600)	-	(8,740,600)
Add:			
Unamortized Premium	9,475,487	-	9,475,487
Total	<u>\$ 487,295,734</u>	<u>\$ 209,479,571</u>	<u>\$ 696,775,305</u>

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 21,857,515	\$ 48,667,885	\$ 70,525,400
2010	23,856,067	47,429,168	71,285,235
2011	30,509,726	46,526,893	77,036,619
2012	31,788,496	45,269,553	77,058,049
2013	33,122,380	43,871,672	76,994,052
2014-2018	127,859,390	199,649,160	327,508,550
2019-2023	117,485,210	172,421,847	289,907,057
2024-2028	117,955,000	147,638,861	265,593,861
2029-2033	171,905,000	123,087,117	294,992,117
2034-2038	305,065,000	82,837,723	387,902,723
2039-2043	157,975,000	11,944,500	169,919,500
Less:			
Deferral on Debt Defeasance	(10,348,753)	-	(10,348,753)
Add:			
Unamortized Premium	18,141,839	-	18,141,839
Total	<u>\$ 1,147,171,870</u>	<u>\$ 969,344,379</u>	<u>\$ 2,116,516,249</u>

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 83,325,000	\$ 33,606,867	\$ 116,931,867
2010	77,915,000	32,238,194	110,153,194
2011	70,100,000	28,769,456	98,869,456
2012	60,695,000	25,509,876	86,204,876
2013	44,905,000	22,728,956	67,633,956
2014-2018	228,115,000	83,569,544	311,684,544
2019-2023	205,215,000	38,327,544	243,542,544
2024-2029	89,690,000	7,310,219	97,000,219
Less:			
Deferral on Debt Defeasance	(5,265,400)	-	(5,265,400)
Add:			
Unamortized Premium	44,877,542	-	44,877,542
Total	<u>\$ 899,572,142</u>	<u>\$ 272,060,656</u>	<u>\$ 1,171,632,798</u>

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

FOUNDATIONS' BONDS (1)
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>
2009	\$ 26,712,179
2010	8,447,244
2011	11,246,515
2012	11,027,215
2013	12,377,089
Thereafter	621,323,711
Mark-to-market estimate of bank swap transactions	4,064,916
Total	<u>\$ 695,198,869</u>

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

Innovative Technology Authority

The Innovative Technology Authority (ITA) has issued Taxable Lease Revenue Bonds, Series 1989, and Series 1997 Refunding. The Series 1989 bonds were issued to cover a portion of the costs related to the construction of a software development center and office building. Series 1997 bonds were issued to advance refund \$11.2 million of the outstanding 1989 bonds.

The 1989 bonds had an average interest rate of 10.3 percent and the 1997 bonds have an average interest rate of 7.4 percent. The bonds were issued on March 1, 1989, and May 1, 1997, respectively. The following schedule details the annual funding requirements necessary to amortize ITA bonds:

9(d) INNOVATIVE TECHNOLOGY AUTHORITY BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 855,000	\$ 470,051	\$ 1,325,051
2010	935,000	407,208	1,342,208
2011	1,015,000	336,896	1,351,896
2012	1,090,000	260,568	1,350,568
2013	1,155,000	178,600	1,333,600
2014-2018	1,220,000	91,744	1,311,744
Total	<u>\$ 6,270,000</u>	<u>\$ 1,745,067</u>	<u>\$ 8,015,067</u>

Virginia Port Authority

The Virginia Port Authority (VPA) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its board of commissioners by the *Code of Virginia*. The interest rates for these bonds range from three percent to six percent and the issuance dates range from October 23, 1996, to April 11, 2007. Series 1998 bonds were issued to advance refund \$71.0 million of the outstanding Series 1988 bonds. Series 2006A bonds were issued to advance refund \$22.9 million of outstanding Series 1996 bonds. The following schedule details the annual funding requirements necessary to amortize VPA bonds:

9(d) VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 20,750,000	\$ 20,974,008	\$ 41,724,008
2010	76,205,000	22,420,450	98,625,450
2011	11,895,000	19,870,508	31,765,508
2012	12,465,000	19,280,908	31,745,908
2013	12,665,000	18,659,301	31,324,301
2014-2018	70,350,000	82,594,713	152,944,713
2019-2023	78,295,000	63,717,258	142,012,258
2024-2028	100,015,000	41,469,492	141,484,492
2029-2033	64,895,000	20,504,485	85,399,485
2034-2038	52,575,000	5,408,038	57,983,038
Less:			
Deferral on			
Debt Defeasance	(1,158,004)	-	(1,158,004)
Add:			
Unamortized Premium	12,626,181	-	12,626,181
Total	<u>\$ 511,578,177</u>	<u>\$ 314,899,161</u>	<u>\$ 826,477,338</u>

Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 3.23 percent to 8.18 percent and the origination dates range from April 1, 1983, to June 28, 2007. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 270,813,640	\$ 338,683,540	\$ 609,497,180
2010	291,380,000	328,280,045	619,660,045
2011	292,030,000	315,835,733	607,865,733
2012	289,295,000	303,203,454	592,498,454
2013	274,530,000	290,495,881	565,025,881
2014-2018	1,348,755,000	1,257,815,940	2,606,570,940
2019-2023	1,167,330,000	933,591,868	2,100,921,868
2024-2028	1,057,960,000	637,134,132	1,695,094,132
2029-2033	861,276,517	380,742,785	1,242,019,302
2034-2038	802,385,631	175,283,603	977,669,234
2039-2043	157,210,000	22,057,478	179,267,478
2044-2048	44,700,000	1,848,923	46,548,923
Add:			
Unamortized			
Premium	21,321,000	-	21,321,000
Total	<u>\$ 6,878,986,788</u>	<u>\$ 4,984,973,382</u>	<u>\$ 11,863,960,170</u>

Virginia Resources Authority

The Virginia Resources Authority (VRA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 1.36 percent to 8.70 percent and the origination dates range from December 1, 1985, to March 18, 2007. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA RESOURCES AUTHORITY BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 65,465,000	\$ 78,144,326	\$ 143,609,326
2010	69,250,000	75,704,822	144,954,822
2011	94,220,000	72,244,810	166,464,810
2012	98,035,000	67,773,878	165,808,878
2013	100,314,940	63,703,029	164,017,969
2014-2018	423,865,000	255,520,272	679,385,272
2019-2023	399,595,000	159,845,318	559,440,318
2024-2028	302,925,000	80,887,154	383,812,154
2029-2033	143,214,700	28,090,927	171,305,627
2034-2038	80,439,211	7,949,985	88,389,196
2039	1,635,000	38,566	1,673,566
Less:			
Unaccreted			
Capital			
Appreciation			
Bonds	51,201,706	-	51,201,706
Add:			
Unamortized			
Premium	(47,219,166)	-	(47,219,166)
Total	<u>\$ 1,782,941,391</u>	<u>\$ 889,903,087</u>	<u>\$ 2,672,844,478</u>

Virginia Public School Authority

The Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from two percent to six percent, and the origination dates range from November 20, 1997, to May 15, 2008. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS Debt Service Requirements to Maturity				
Maturity	Principal	Interest	Total	
2009	\$ 204,945,000	\$ 144,382,191	\$ 349,327,191	
2010	205,775,000	132,931,173	338,706,173	
2011	200,645,000	122,750,232	323,395,232	
2012	199,555,000	112,922,613	312,477,613	
2013	185,680,000	103,235,135	288,915,135	
2014-2018	877,997,063	380,470,197	1,258,467,260	
2019-2023	683,145,000	184,683,328	867,828,328	
2024-2028	383,485,000	55,932,666	439,417,666	
2029-2033	70,170,000	6,902,253	77,072,253	
2034-2038	5,450,000	511,200	5,961,200	
Less:				
Deferral on				
Debt Defeasance	(39,600,000)	-	(39,600,000)	
Add:				
Unamortized Premium	52,840,195	-	52,840,195	
Total	<u>\$ 3,030,087,258</u>	<u>\$ 1,244,720,988</u>	<u>\$ 4,274,808,246</u>	

Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993, and March 1, 2003. The interest cost for these bonds range from 2.5 percent to 4.75 percent. The following schedule details the annual funding requirements necessary to amortize these bonds:

HAMPTON ROADS SANITATION DISTRICT COMMISSION Debt Service Requirements to Maturity				
Maturity	Principal	Interest	Total	
2009	\$ 12,551,000	\$ 15,538,000	\$ 28,089,000	
2010	12,967,000	15,071,000	28,038,000	
2011	13,499,000	14,549,000	28,048,000	
2012	13,952,000	14,038,000	27,990,000	
2013	14,389,000	13,540,000	27,929,000	
2014-2018	63,034,000	59,962,000	122,996,000	
2019-2023	51,288,000	49,705,000	100,993,000	
2024-2028	55,234,000	38,160,000	93,394,000	
2029-2033	54,030,000	25,609,000	79,639,000	
2034-2038	68,960,000	10,681,000	79,641,000	
Total	<u>\$ 359,904,000</u>	<u>\$ 256,853,000</u>	<u>\$ 616,757,000</u>	

Virginia Biotechnology Research Partnership Authority

The Virginia Biotechnology Research Partnership Authority issued Series 1996, 1998, 1999A, 1999B, and 2001 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from four percent to 6.4 percent. The Series 1996 Virginia Biotechnology Research Partnership Authority Lease Revenue Bonds were refinanced with VPBA Series 2005A bonds on March 1, 2005.

VIRGINIA BIOTECH RESEARCH AUTHORITY Debt Service Requirements to Maturity				
Maturity	Principal	Interest	Total	
2009	\$ 3,440,000	\$ 2,862,134	\$ 6,302,134	
2010	3,610,000	2,698,507	6,308,507	
2011	3,795,000	2,525,335	6,320,335	
2012	3,995,000	2,329,744	6,324,744	
2013	4,225,000	2,107,737	6,332,737	
2014-2018	21,235,000	6,947,288	28,182,288	
2019-2023	17,200,000	1,775,000	18,975,000	
Add:				
Unamortized Premium	366,919	-	366,919	
Total	<u>\$ 57,866,919</u>	<u>\$ 21,245,745</u>	<u>\$ 79,112,664</u>	

Total principal outstanding at June 30, 2008, on all component unit bonds amounted to \$15.9 billion.

In addition to the above obligations, the Virginia Small Business Financing Authority (nonmajor component unit) has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the Small Business Financing Authority, nor the Commonwealth is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities on the accompanying financial statements. Total principal outstanding at June 30, 2008, of the Industrial Development Revenue Bonds is \$296.4 million.

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

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

(Dollars in Thousands)

	Balance July 1, 2007	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2008
Primary Government				
Governmental Activities:				
Long-term Debt Bearing the Pledge of the				
Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds (3)	\$ 761,195	\$ 173,665	\$ (57,460)	\$ 877,400
Parking Facilities Bonds (3)	8,424	-	(1,149)	7,275
Transportation Facilities Bonds (3)	92,083	-	(15,959)	76,124
Add: Unamortized Premium	50,759	5,234	(4,349)	51,644
Accretion on Capital Appreciation Bonds	-	-	-	-
Less: Unamortized Discount	(555)	372	-	(183)
Deferral on Debt Defeasance	(11,577)	1,306	-	(10,271)
Total General Obligation Bonds	<u>900,329</u>	<u>180,577</u>	<u>(78,917)</u>	<u>1,001,989</u>
Long-term Debt / Obligations Not Bearing the Pledge				
of the Full Faith and Credit of the Commonwealth:				
Transportation Facilities Bonds (3)	1,696,209	-	(159,905)	1,536,304
Virginia Public Building Authority Bonds (3)	1,536,435	301,475	(173,465)	1,664,445
Regional Jails Financing Payable	11,693	-	(1,713)	9,980
Industrial Development Authority Obligations	19,010	-	(4,370)	14,640
Economic Development Authority Obligations (3)	96,515	-	(3,190)	93,325
Add: Unamortized Premium	172,962	18,113	(18,430)	172,645
Accretion on Capital Appreciation Bonds	9,691	2,358	-	12,049
Less: Unamortized Discount	(4,563)	2,446	-	(2,117)
Deferral on Debt Defeasance	(43,587)	12,416	(3,229)	(34,400)
Installment Purchase Obligations	59,574	1,083	(5,896)	54,761
Notes Payable - Virginia Public Broadcasting Board	11,070	-	(2,550)	8,520
Notes Payable - Transportation	12,325	-	-	12,325
Notes Payable - Aviation	2,482	-	(287)	2,195
Compensated Absences	340,008	13,778	(8,425)	345,361
Capital Lease Obligations	125,033	4,534	(16,090)	113,477
Pension Liability	789,771	88,808	-	878,579
OPEB Liability	-	57,473	-	57,473
Other	16,472	7,526	(3,795)	20,203
Total Long-term Debt / Obligations Not Bearing the Pledge				
of the Full Faith and Credit of the Commonwealth	<u>4,851,100</u>	<u>510,010</u>	<u>(401,345)</u>	<u>4,959,765</u>
Total Governmental Activities	<u>5,751,429</u>	<u>690,587</u>	<u>(480,262)</u>	<u>5,961,754</u>
Business-type Activities:				
Long-term Debt / Obligations Not Bearing the Pledge				
of the Full Faith and Credit of the Commonwealth:				
Installment Purchase Obligations	2,610	-	(875)	1,735
Capital Lease Obligations	-	2,347	-	2,347
Obligations:				
Compensated Absences	8,682	4,638	(4,559)	8,761
Pension Liability	16,966	1,921	-	18,887
OPEB Liability	-	1,551	-	1,551
Lottery Prizes Payable	313,112	58,714	(39,100)	332,726
Tuition Benefits Payable	1,730,482	244,115	(83,173)	1,891,424
Total Business-type Activities	<u>2,071,852</u>	<u>313,286</u>	<u>(127,707)</u>	<u>2,257,431</u>
Total Primary Government	<u>\$ 7,823,281</u>	<u>\$ 1,003,873</u>	<u>\$ (607,969)</u>	<u>\$ 8,219,185</u>

<u>Foundations (4)</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
\$ -	\$ 877,400	\$ 67,860
-	7,275	1,000
-	76,124	12,964
-	51,644	-
-	-	-
-	(183)	-
-	(10,271)	-
-	<u>1,001,989</u>	<u>81,824</u>
-	1,536,304	162,960
-	1,664,445	124,745
-	9,980	1,749
-	14,640	4,615
-	93,325	3,345
-	172,645	-
-	12,049	-
-	(2,117)	-
-	(34,400)	-
-	54,761	5,734
-	8,520	2,690
-	12,325	-
-	2,195	286
-	345,361	170,754
-	113,477	9,760
-	878,579	-
-	57,473	-
-	20,203	3,600
-	<u>4,959,765</u>	<u>490,238</u>
-	<u>5,961,754</u>	<u>572,062</u>
-	1,735	771
-	2,347	428
-	8,761	4,464
-	18,887	-
-	1,551	-
-	332,726	62,734
-	1,891,424	112,236
-	2,257,431	180,633
\$ -	<u>\$ 8,219,185</u>	<u>\$ 752,695</u>

Continued on next page

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

(Dollars in Thousands)

	Balance July 1, 2007	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2008
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (3)	\$ 411,842	\$ 111,338	\$ (35,884)	\$ 487,296
Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (3) (5)	12,904,988	2,490,252	(720,862)	14,674,378
Installment Purchase Obligations	126,755	14,048	(21,992)	118,811
Capital Lease Obligations	124,738	19,991	(7,956)	136,773
Notes Payable	1,034,475	530,072	(271,512)	1,293,035
Compensated Absences	220,887	137,414	(128,391)	229,910
Pension Liability	315,260	44,861	(1,240)	358,881
OPEB Liability	-	62,185	-	62,185
Bond Anticipation Notes	40,000	-	(40,000)	-
Trust and Annuity Obligations	911	119	(27)	1,003
Other (6)	250,037	251,215	(238,584)	262,668
Total Component Units	\$ 15,429,893	\$ 3,661,495	\$ (1,466,448)	\$ 17,624,940

- (1) Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
- (2) Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and special revenue funds. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.
- (3) Amounts are net of any unamortized discounts, premiums, and deferrals.
- (4) Foundations represent FASB reporting entities defined in Note 1.B.
- (5) Beginning balance was increased as a result of a reclassification by the Virginia Resource Authority of bond issuance costs which are reported as Other Assets in fiscal year 2008.
- (6) Beginning balance was decreased as a result of a reclassification by Virginia Commonwealth University Health System Authority (blended component unit of the Virginia Commonwealth University - major) of certain claims payable classified as Long-term Liabilities in fiscal year 2007 but reported as Claims Payable in fiscal year 2008.

Foundations (4)	Balance June 30, 2008	Due Within One Year
\$ -	\$ 487,296	\$ 36,200
695,199	15,369,577	713,774
43	118,854	19,803
295	137,068	8,050
209,333	1,502,368	188,607
7,705	237,615	155,564
49,351	408,232	-
-	62,185	-
-	-	-
90,337	91,340	2,819
50,449	313,117	51,373
<u>\$ 1,102,712</u>	<u>\$ 18,727,652</u>	<u>\$ 1,176,190</u>

Bond Defeasance

Primary Government

In May 2008, the Virginia Public Building Authority (blended component unit) issued \$58,995,000 of Series 2008A Public Facilities Revenue Refunding Bonds. The bonds refunded with the Series 2008A refunding bonds were \$60,775,000 of Series 1998A Public Facilities Revenue Refunding Bonds. The net proceeds of \$62,756,957 were deposited with escrow agents to provide for future debt service on the defeased bonds. This defeasance resulted in an accounting loss of \$3,229,495. Total debt service payments over the life of the bonds will be reduced by \$2,744,136 resulting in an economic gain (savings) of \$2,665,620 discounted at the rate of 2.49 percent.

Component Units

In October 2007, the Virginia College Building Authority (nonmajor) issued \$100,765,000 of Series 2007B Pooled Bond Program refunding bonds. The bonds refunded with the series 2007B refunding bonds were \$6,795,000 of series 1997A, \$16,175,000 of series 1998A, \$17,785,000 of series 2000A, \$10,635,000 of series 2001A, \$45,230,000 of series 2002A, and \$1,630,000 of series 2005A 21st Century College Program bonds. The net proceeds from the sale of the refunding bonds of \$102,054,758 were deposited in irrevocable trusts with escrow agents to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of \$3,707,000. Total debt service payments over the next 12 years will be reduced by \$5,444,159 resulting in a present value savings of \$4,640,463 discounted at the rate of 4.21 percent.

During the fiscal year, the Virginia Resources Authority (nonmajor) issued refunding bonds series 2008A and 2007B. The bonds that were refunded or partially refunded were \$720,000 of series 1997, \$4,080,000 of series 1997H, and \$14,560,000 of series 1998A Water and Sewer Revenue Bonds. The refunding resulted in an economic gain of \$1,300,040.

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2008, there were \$493.4 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were \$551.1 million in bonds outstanding considered defeased from the component units.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. Governmental issuers may elect to pay a penalty in lieu of rebate. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Although rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding, and consistent with modified accrual basis of accounting, is not recognized as a liability in governmental funds until amounts actually become due and payable, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2008, the Commonwealth has recognized a government-wide liability of \$218,569.

Amounts remitted to the federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or nongeneral fund appropriations to satisfy any rebate liability. During the year, the Virginia College Building Authority (nonmajor component unit) remitted \$23,238 to the federal government for rebate liability on its Series 2002 Pooled Bond Program issue. The Virginia Department of Transportation (primary government) paid \$10,132 in rebate liability on its Commonwealth of Virginia, Transportation Program Revenue Bonds, Series 1997A (Oak Grove Connector, City of Chesapeake) issue. No rebate payments were owed during the year on the Commonwealth's general obligation bonds or bonds of the Virginia Public Building Authority.

Rebate liability on bonds of the Virginia Public School Authority (major component unit) is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During the year, \$65,406 was paid to the federal government for rebate on various VPSA school financing bonds.

Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2008, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2009	\$ 17,918	\$ 428	\$ 13,528
2010	17,532	547	13,877
2011	17,162	560	12,609
2012	16,281	575	11,256
2013	15,803	589	11,152
2014-2018	58,578	-	45,532
2019-2023	19,876	-	33,920
2024-2028	552	-	26,041
2029-2033	-	-	24,297
2034-2038	-	-	1,053
2039-2043	-	-	685
2044-2048	-	-	622
2049-2053	-	-	957
Total Gross Minimum Lease Payments	163,702	2,699	195,529
Less: Amount Representing Executory Costs	9,163	-	5,572
Net Minimum Lease Payments	154,539	2,699	189,957
Less: Amount Representing Interest	41,062	352	53,184
Present Value of Net Minimum Lease Payments	\$ 113,477	\$ 2,347	\$ 136,773

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

Foundations (2)

2009	\$ 113
2010	89
2011	70
2012	23
Net Minimum Lease Payments	295
Less: Amount Representing Interest	-
Present Value of Net Minimum Lease Payments	\$ 295

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

At June 30, 2008, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
Governmental Activities:			
Gross Capital Assets	\$ 176,771	\$ 1,770	\$ 178,541
Less: Accumulated Depreciation	51,071	696	51,767
Total Governmental Activities	\$ 125,700	\$ 1,074	\$ 126,774
Business-Type Activities:			
Gross Capital Assets	\$ 2,347	\$ -	\$ 2,347
Less: Accumulated Depreciation	-	-	-
Total Business-Type Activities	2,347	-	2,347
Component Units:			
Gross Capital Assets	\$ 158,815	\$ 33,345	\$ 192,160
Less: Accumulated Depreciation	15,763	20,982	36,745
Subtotal (excluding Foundations)	143,052	12,363	155,415
Foundations:			
Gross Capital Assets	-	567	567
Less: Accumulated Depreciation	-	155	155
Subtotal Foundations	-	412	412
Total Component Units	\$ 143,052	\$ 12,775	\$ 155,827

Notes Payable

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

Primary Government	
Transportation Note	\$ 12,325
Virginia Public Broadcasting Board Note	8,520
Aviation Note	2,195
Installment Notes	56,496
Total Primary Government	79,536
Component Units	
Virginia Public School Authority	173,090
Virginia Housing Development Authority	61,330
University of Virginia	63,389
Virginia Polytechnic Institute and State University	122,198
Virginia Commonwealth University	184,113
Nonmajor Component Units	688,915
Installment Notes	118,811
Subtotal (excluding Foundations)	1,411,846
Foundations:	
Notes Payable	209,333
Installment Notes	43
Subtotal - Foundations	209,376
Total Component Units	1,621,222
Total Notes Payable	\$ 1,700,758

The Transportation (primary government) Note listed above represents an interest free note payable to Fairfax County, Virginia, of \$4,325,000 which was issued pursuant to the State Revenue Bond Act, Article 5, Title 33.1, *Code of Virginia* to pay for the acquisition and construction of the Omer L. Hirst - Adelard L. Brault Expressway. Additionally, the Virginia Department of Transportation (part of primary government) entered into an interest free note payable to Chesterfield County, Virginia, of \$8,000,000 for the repayment of the Powhite Parkway Extension Toll Road from surplus net revenues of the project prior to the retirement of all the bonds issued.

The Virginia Public Broadcasting Board (part of primary government) Note listed above represents a loan agreement entered into with the Harrisonburg Industrial Development Authority for \$23,840,000. The purpose of the loan was to grant funds to Virginia's public television stations to assist with the cost of conversion to the Federal Communication Commission's new digital standard. The agreement was entered into February 27, 2001, and has a variable rate of interest. The variable interest rates are reset weekly by the remarketing agent. The General Assembly authorized these grants in Chapter 1073 of the 2000 Appropriation Act.

The Aviation (primary government) Note listed above represents a loan agreement with the Virginia Resources Authority in the amount of \$6,600,000. The purpose of the loan was to finance and refinance grants-in-aid made to the Peninsula Airport Commission to provide funding for capital improvements at the Newport News/Williamsburg International Airport. The principal amount shall be paid semi-annually with the final payment due in 2017.

The Virginia Public School Authority (major component unit) notes of \$173,090,000 are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue fund).

The Virginia Housing Development Authority (major component unit) has notes payable of \$61,330,000. Of this amount, \$25,000,000 is a revolving credit agreement with Bank of America to provide funds for general corporate purposes and \$36,330,000 is a credit agreement with the Federal Home Loan Bank of Atlanta. The proceeds along with the bond proceeds are used to make mortgage loans.

The Virginia Resources Authority (nonmajor component unit) notes of \$4,349,438 are Equipment and Term Financing loans borrowed from SunTrust Equipment and Finance Leasing Corporation. The amount consists of four loans with interest rates varying from 2.26 percent to 3.49 percent.

An additional amount of \$1,058,615,000 is comprised primarily of higher education (component unit) promissory notes with the Virginia College Building Authority (nonmajor component unit) to finance the construction of various higher education facilities. The principal amount net of unamortized accruals is \$1,045,382,186. Interest rates range from 2.75 percent to 5.75 percent and shall be paid semi-annually. The final principal payment is due in 2035. The Virginia Biotechnology Research Partnership Authority has a note payable in the amount of \$1,990,625 used to purchase two pieces of land.

The higher education institutions (component units) also have notes payable. The University of Virginia (major component unit) has notes payable of \$2,759,346 between the Medical Center and a subsidiary and a notes payable of \$298,000 for a new GPS system. The College of William and Mary (nonmajor component unit) has notes payable of \$583,068 with SunTrust Bank to partially finance the multi-year implementation of the administrative and financial system. This first note matured in 2008 and the second note has an interest rate of 3.75 percent and matures in 2011. Virginia State University (nonmajor component unit) has a note payable of \$1,990,524, which is the result of a loan agreement with the U.S. Department of Housing and Urban Development to repair seven dormitories. The loan is to be repaid over 30 years at 3.0 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. Norfolk State University (nonmajor component unit) has a note payable of \$75,617, which is the result of an agreement with the City of Norfolk to purchase the Brambleton Center. The loan is payable in six full scholarships each year varying from \$4,593 to \$13,308 with the final amount due in 2019. The Radford University Property Acquisition Foundation (blended component unit of Radford University (nonmajor component unit)) has a notes payable of \$1,187,906 to purchase land and a building. The note matures in 2012 and has a 6.8 percent interest rate.

Various foundations (component units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and construction. Future principal payments as of June 30, 2008, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)
June 30, 2008

Maturity	Principal
2009	\$ 27,679
2010	10,124
2011	44,725
2012	14,279
2013	5,977
Thereafter	106,549
Total	\$ 209,333

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

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent \$175,307,343 of the total outstanding debt of the Commonwealth. The foundations (component units) had installment purchase obligations totaling \$43,331 as of year-end. Presented in the following tables are repayment schedules for installment purchase obligations.

Installment Purchase Obligations - Governmental Funds
June 30, 2008

Maturity	Principal	Interest	Total
2009	\$ 5,734,476	\$ 1,759,005	\$ 7,493,481
2010	6,120,818	1,798,522	7,919,340
2011	4,981,102	1,570,761	6,551,863
2012	3,446,184	1,450,668	4,896,852
2013	3,112,992	1,323,324	4,436,316
2014-2018	17,067,316	4,638,191	21,705,507
2019-2023	14,298,474	1,371,605	15,670,079
Total	\$ 54,761,362	\$ 13,912,076	\$ 68,673,438

Installment Purchase Obligations - Business-type Activities
June 30, 2008

Maturity	Principal	Interest	Total
2009	\$ 770,681	\$ 46,587	\$ 817,268
2010	776,891	20,579	797,470
2011	186,944	1,963	188,907
Total	\$ 1,734,516	\$ 69,129	\$ 1,803,645

Installment Purchase Obligations - Component Units (1)

June 30, 2008

Maturity	Principal	Interest	Total
2009	\$ 19,771,635	\$ 4,733,518	\$ 24,505,153
2010	20,272,143	4,981,970	25,254,113
2011	11,338,138	2,936,427	14,274,565
2012	10,504,926	2,532,108	13,037,034
2013	9,392,448	2,162,049	11,554,497
2014-2018	34,177,361	6,066,480	40,243,841
2019-2023	13,354,814	1,012,152	14,366,966
Total	<u>\$ 118,811,465</u>	<u>\$ 24,424,704</u>	<u>\$ 143,236,169</u>

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

Installment Purchase Obligations - Foundations (2)

June 30, 2008

Maturity	Principal
2009	\$ 31,350
2010	11,028
2011	953
Total	<u>\$ 43,331</u>

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value of securities held to maturity) of the investment securities funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2008, are shown in the following table:

	Jackpot	Win For Life	Total
Due within one year	\$ 59,575,093	\$ 3,158,719	\$ 62,733,812
Due in subsequent years	<u>227,191,930</u>	<u>42,799,841</u>	<u>269,991,771</u>
Total (present value)	286,767,023	45,958,560	332,725,583
Add:			
Interest to Maturity	<u>92,593,977</u>	<u>37,601,440</u>	<u>130,195,417</u>
Lottery Prizes Payable at Maturity	<u>\$ 379,361,000</u>	<u>\$ 83,560,000</u>	<u>\$ 462,921,000</u>

Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia Prepaid Education Program (VPEP). VPEP offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at state higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the state's higher education institutions.

At June 30, 2008, tuition benefits payable of \$1.9 billion have been recorded for the VPEP program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the VPEP program. In addition, a receivable in the amount of \$288.0 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

24. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2008.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	\$ 447	\$ 203,451	\$ 10,091	\$ 11	\$ 2,461
Major Special Revenue Funds:					
Commonwealth Transportation	18,624	12,703	88,292	21,142	-
Federal Trust	-	416	-	-	286
Literary	-	67,319	-	-	-
Nonmajor Governmental Funds	89,514	96,164	77,920	10,296	26,475
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	-	-
Nonmajor Enterprise Funds	-	12,897	-	-	-
Internal Service Funds	-	583	-	-	-
Private Purpose	-	-	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
Total Primary Government	<u>\$ 108,585</u>	<u>\$ 393,533</u>	<u>\$ 176,303</u>	<u>\$ 31,449</u>	<u>\$ 29,222</u>

	Tobacco Master Settlement	Taxes	Smart Tag	Other (1)	Total Other Revenue
Primary Government:					
General	\$ 53,684	\$ -	\$ -	\$ 61,834	\$ 331,979
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	11,579	13,710	166,050
Federal Trust	-	-	-	50,270	50,972
Literary	-	-	-	95,112	162,431
Nonmajor Governmental Funds	-	-	-	164,759	465,128
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	21	21
Nonmajor Enterprise Funds	-	12,531	-	1,804	27,232
Internal Service Funds	-	-	-	-	583
Private Purpose	-	-	-	344	344
Pension and Other Employee Benefit Trust	-	-	-	21,360	21,360
Total Primary Government	<u>\$ 53,684</u>	<u>\$ 12,531</u>	<u>\$ 11,579</u>	<u>\$ 409,214</u>	<u>\$ 1,226,100</u>

Note (1): \$85,007 (dollars in thousands) of the total amount recorded for the Literary fund is related to unclaimed property. \$21,070 (dollars in thousands) of the total amount recorded for pension and other employee benefit trust is related to the transfer of assets from Aetna insurance company to the Virginia Sickness and Disability Program when the relationship with Aetna was terminated.

25. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2008.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	\$ -	\$ 781,860	\$ 781,860
Unemployment Compensation	432,805	-	432,805
Nonmajor Enterprise Funds	189,430	-	189,430
Total Enterprise Funds	<u>\$ 622,235</u>	<u>\$ 781,860</u>	<u>\$ 1,404,095</u>
Internal Service Funds	<u>\$ 1,003,431</u>	<u>\$ -</u>	<u>\$ 1,003,431</u>

26. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense for the fiscal year ended June 30, 2008.

(Dollars in Thousands)

	Depreciation	Amortization	Total Depreciation and Amortization
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	\$ 1,063	\$ -	\$ 1,063
Virginia College Savings Plan	62	-	62
Nonmajor Enterprise Funds	8,694	77	8,771
Total Enterprise Funds	<u>\$ 9,819</u>	<u>\$ 77</u>	<u>\$ 9,896</u>
Internal Service Funds	<u>\$ 17,751</u>	<u>\$ -</u>	<u>\$ 17,751</u>

27. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2008.

(Dollars in Thousands)

	Grants and Distributions To Localities	Expendable Equipment/ Improvements	Other (1)	Total Other Expenses
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	\$ -	\$ 263	\$ 35	\$ 298
Nonmajor Enterprise Funds	62	1,957	2,968	4,987
Total Enterprise Funds	<u>\$ 62</u>	<u>\$ 2,220</u>	<u>\$ 3,003</u>	<u>\$ 5,285</u>
Internal Service Funds	<u>\$ 1,237</u>	<u>\$ 7,114</u>	<u>\$ 5,562</u>	<u>\$ 13,913</u>
Pension and Other Employee Benefit Trust (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,860</u>	<u>\$ 5,860</u>

Note (1): \$5,100 (dollars in thousands) can be attributed to expenses related to closing cases in the Risk Management internal service fund.

Note (2): Fiduciary expenses of \$5,860 (dollars in thousands) are not included in the Government-wide Statement of Activities.

28. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2008.

(Dollars in Thousands)

	Loss on Sale of Capital Assets	Expenses for Securities Lending Transactions	Other (1)	Total Other Non- Operating Revenue/ Expenses
Proprietary Funds:				
Major Enterprise Funds:				
State Lottery	\$ -	\$ (2,340)	\$ 871	\$ (1,469)
Virginia College Savings Plan	-	(537)	-	(537)
Nonmajor Enterprise Funds	-	(1,979)	(490)	(2,469)
Total Enterprise Funds	<u>\$ -</u>	<u>\$ (4,856)</u>	<u>\$ 381</u>	<u>\$ (4,475)</u>
Internal Service Funds	<u>\$ (843)</u>	<u>\$ (3,898)</u>	<u>\$ 2,805</u>	<u>\$ (1,936)</u>

Note (1): \$2,060 (dollars in thousands) is related to revenues associated with asset transfers in the Virginia Information Technologies Agency internal service fund.

29. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2008 (dollars in thousands).

Transfers In (Reported In):					
Transfers Out (Reported In):	General	Commonwealth Transportation	Federal Trust	Literary Fund	Nonmajor Governmental Funds
Primary Government					
General	\$ -	\$ 327,935	\$ -	\$ -	\$ 372,926
Major Special Revenue Funds:					
Commonwealth Transportation	19,598	-	707	-	272,363
Federal Trust	209	20,663	-	-	223
Nonmajor Governmental Funds	44,289	1,002	345	-	6,973
Major Enterprise Funds:					
State Lottery	455,259	-	-	10,479	-
Virginia College Savings Plan	10	-	-	-	-
Unemployment Compensation	-	-	12,970	-	-
Nonmajor Enterprise Funds	113,297	-	60	1	2,967
Internal Service Funds	82	-	-	-	886
Total Primary Government	\$ 632,744	\$ 349,600	\$ 14,082	\$ 10,480	\$ 656,338

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

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

- Various nongeneral funds transferred approximately \$12.2 million to the General Fund as required by Chapter 847, 2008 Acts of Assembly.
- The Department of Motor Vehicles transferred certain fees of approximately \$2.5 million to the General Fund as required by Chapter 847, 2008 Acts of Assembly.

30. ON-BEHALF PAYMENTS

Higher education institutions (component units) recognized various foundation and association on-behalf payments for fringe benefits and salaries during fiscal year 2008 totaling \$1,031,187. This activity was recorded as Program Revenue – Operating Grants and Contributions in the amount of \$1,017,437; and Program Revenue – Charges for Services in the amount of \$13,750, with corresponding expenses.

31. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is \$1,087,321,041, and of this amount, \$1,085,657,496 is reported as restricted net assets and \$1,663,545 is reported as unrestricted net assets. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

Unemployment Compensation Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
\$ -	\$ -	\$ -	\$ 700,861
-	-	311	292,979
1,640	38	-	22,773
-	141	369	53,119
-	-	-	465,738
-	-	-	10
-	-	-	12,970
-	31	-	116,356
1	-	-	969
<u>\$ 1,641</u>	<u>\$ 210</u>	<u>\$ 680</u>	<u>\$ 1,665,775</u>

32. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2008.

	State Lottery	Virginia College Savings Plan	Unemployment Compensation
Cash Flows Resulting from:			
Payments for Prizes, Claims, and Loss Control:			
Lottery Prizes	\$ (788,285)	\$ -	\$ -
Claims and Loss Control	-	-	(428,447)
Total	<u>\$ (788,285)</u>	<u>\$ -</u>	<u>\$ (428,447)</u>
Other Operating Revenues:			
Other Operating Revenue	\$ -	\$ 21	\$ -
Total	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ -</u>
Other Operating Expenses:			
Other Operating Expenses (1)	\$ -	\$ (35)	\$ -
Total	<u>\$ -</u>	<u>\$ (35)</u>	<u>\$ -</u>
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	\$ 5,000	\$ -	\$ -
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	3,132	-	-
Total	<u>\$ 8,132</u>	<u>\$ -</u>	<u>\$ -</u>
Other Noncapital Financing Disbursement Activities:			
Repayments of Advances/Contributions from the Commonwealth	\$ (6,000)	\$ -	\$ -
Other Noncapital Financing Disbursement Activities	-	-	-
Total	<u>\$ (6,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Receipt Activities:			
Other Capital and Related Financing Receipt Activities	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Disbursement Activities:			
Disbursements for Capital Expenditures	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note (1): \$5,100 (dollars in thousands) can be attributed to disbursements related to closing cases in the Risk Management internal service fund.

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ (788,285)	\$ -
(185,728)	(614,175)	(916,983)
<u>\$ (185,728)</u>	<u>\$ (1,402,460)</u>	<u>\$ (916,983)</u>
\$ 8,124	\$ 8,145	\$ 583
<u>\$ 8,124</u>	<u>\$ 8,145</u>	<u>\$ 583</u>
\$ (557)	\$ (592)	\$ (9,074)
<u>\$ (557)</u>	<u>\$ (592)</u>	<u>\$ (9,074)</u>
\$ 31,494	\$ 36,494	\$ -
149,798	149,798	-
101	3,233	226
<u>\$ 181,393</u>	<u>\$ 189,525</u>	<u>\$ 226</u>
\$ (35,023)	\$ (41,023)	\$ -
(344)	(344)	-
<u>\$ (35,367)</u>	<u>\$ (41,367)</u>	<u>\$ -</u>
\$ -	\$ -	\$ 24
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24</u>
\$ (385)	\$ (385)	\$ (632)
<u>\$ (385)</u>	<u>\$ (385)</u>	<u>\$ (632)</u>

33. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. The Commonwealth could receive approximately \$4.1 billion over the next 25 years. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Virginia Tobacco Indemnification and Community Revitalization Commission (commission), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created The Virginia Tobacco Settlement Foundation (foundation). The purpose of the foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. The Virginia Tobacco Indemnification and Community Revitalization Commission and the Virginia Tobacco Settlement Foundation are included in the Comprehensive Annual Financial Report as component units.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies are accounted for in these funds and the General Fund. Fifty percent of the Settlement monies will be deposited into the Tobacco Indemnification and Community Revitalization Fund. Ten percent of the Settlement monies will be deposited into the Virginia Tobacco Settlement Fund. The remaining 40 percent will be reported in the General Fund.

In May 2005, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Tobacco Indemnification and Community Revitalization Commission (commission), the Commonwealth sold to the Tobacco Settlement Financing Corporation (corporation) 25 percent of its future right, title and interest in the Tobacco Settlement Revenues (TSRs). In May 2007, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the commission, the Commonwealth sold to the Tobacco Settlement

Financing Corporation the remaining 25 percent of its future right, title and interest in the TSRs. Specifically, these rights include all of the 50 percent share of the TSRs received by the commission starting May 15, 2005, and in perpetuity under the Master Settlement Agreement.

Consideration paid by the corporation to the commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the commission. The bonds of the corporation are asset-backed instruments secured solely by the TSRs, and the corporation's right to receive TSRs is expected to produce funding for its obligations.

The commission is a discrete component unit of the Commonwealth and the corporation is disclosed as a related organization.

34. INFORMATION TECHNOLOGY INFRASTRUCTURE PARTNERSHIP – NORTHROP GRUMMAN

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

The services and activities required to provide the Commonwealth the appropriate level of service are provided in the following infrastructure service towers: Desktop Computing Services; Data Network Services; Voice and Video Telecom Services; Mainframe and Server Services; Help Desk Services; Messaging Services; Security Services; and, Application Services. VITA made payments to NG of \$230.5 million during the fiscal year and will make additional payments of approximately \$1.7 billion over the next eight fiscal years.

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

will be computed at the termination of the agreement based upon the number of service units in place at the time of termination. Accordingly, as service units change on a recurring basis, it is not possible to quantify exit fees. However, any exit fees resulting from the termination of the agreement are expected to be significant to the Commonwealth. Further, if the Commonwealth and NG terminate the business relationship at the conclusion of the CIA term, the Commonwealth will incur significant costs to obtain the IT infrastructure necessary to continue the Commonwealth's operations

35. OXYCONTIN SETTLEMENTS

During fiscal year 2007, lawsuits were filed related to OxyContin. As a result, the Commonwealth was party to three separate plea agreements. One agreement provided \$20 million for a prescription monitoring program. These amounts are recorded in the Prescription Monitoring Permanent Fund (nonmajor) as the principal must remain intact. Under the terms of the second agreement, the Office of the Attorney General received \$39.8 million to be used by the Virginia Medicaid Fraud Control Unit. This amount is recorded as revenue in the Other Special Revenue Fund (nonmajor) in fiscal year 2008. Under the terms of the third agreement, the Department of State Police will receive \$44.2 million during fiscal years 2008 and 2009 to assist with enforcement activities, training, and equipment purchases. \$38.6 million was received in fiscal year 2008 and \$5.6 million will be received in fiscal year 2009.

36. CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth.

Institutions of higher education (component units) and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General

conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries in the internal service funds. The U.S. DHHS has received the 2009 cost allocation plan, which is based on state fiscal year 2007 data. The Commonwealth believes this liability has the potential to total \$950,954 as of June 30, 2008.

Virginia's combined overpayment and underpayment food stamp error rate for federal fiscal year 2007 was 6.47 percent. The national average combined error rate was 5.64 percent. A liability amount is established when, for the second or subsequent consecutive fiscal year, the USDA determines there is a 95 percent probability a state's payment error rate exceeds 105 percent of the national performance measure. Virginia fell within the tolerance level for 2007. Therefore, 2007 will not count as a first year of potential liability.

However, as of June 30, 2008, there is an outstanding liability of \$355,258. This liability results from a USDA review of reinvestment expenditures made in accordance with reinvestment agreements for federal fiscal years 1994-1996. The Department of Social Services program improvement plan was approved by the USDA in October 2006.

B. Litigation

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

C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of \$1.9 billion. The discretely presented component units have such debt of \$947.4 million.

D. Bailment Inventory

The Department of Alcoholic Beverage Control (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from

the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2008, the bailment inventory was valued at \$38,352,876.

E. Loan Guarantees

The Virginia Small Business Financing Authority (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of \$500,000 or 75 percent of a bank loan for lines of credit and short-term working capital loans for small businesses. As of June 30, 2008, the loan guaranty program has guarantees outstanding of \$2.6 million. In addition, the Department of Minority Business Enterprise fund provides loan guarantees up to 90 percent of a bank loan for lines of credit and short-term working capital loans for minority businesses. As of June 30, 2008, there was \$122,380 in outstanding guarantees.

The Assistive Technology Loan Fund Authority (nonmajor component unit) has an alternative financing program which provides guarantees of loans issued by its financial partner, SunTrust Bank. As of June 30, 2008, there was approximately \$1.2 million of loans issued in which it was the guarantor.

37. SUBSEQUENT EVENTS

The financial markets began a period of considerable disruption and volatility in mid-September. On September 15, 2008, Lehman Brothers filed for bankruptcy and Bank of America announced a buyout of Merrill Lynch. On September 16, shares in the Reserve Primary Fund fell to under one dollar, and the Federal government seized control of AIG with an \$85 billion bailout. By month end, Washington Mutual became the largest failure of a U. S. bank. Market uncertainties caused investors to sell off money market funds in favor of Treasury securities. By mid-October, tax-exempt short-term and long-term rates had increased dramatically from their pre-September 15 levels.

Due to this environment, many issuers, including the Commonwealth, postponed bond issues scheduled for this period in the hope that markets would regain stability. By late October, tax-exempt markets showed considerable improvement.

Primary Government

Other

On November 1, 2008, the control of the Dulles Toll Road transferred from the Virginia Department of Transportation (VDOT) to the Metropolitan Washington Airports Authority (MWAA). The terms of the agreement transferred the rights to operate the Dulles Toll Road from VDOT to MWAA for a 50-year term in consideration of MWAA's agreement to repay or defease all of the outstanding series of bonds of the

Commonwealth relating to financing of the construction and maintenance of the toll road and to pay off the outstanding note issued by the Virginia State Highway and Transportation Commission of the Commonwealth of Virginia in favor of Fairfax County, Virginia, in the principal amount of \$4,325,000. MWAA is required to use the toll revenues to fund the Dulles Corridor Metrorail project and other transportation improvements in the Dulles Corridor. Prior to the effective date of this transition, the outstanding note to Fairfax County was paid in full and funding was transferred to the Department of the Treasury to fund an escrow for the defeasance of the outstanding bonds (Series 1989A and series 2002). During the transition period, which may last for up to a year or more, VDOT will operate the Dulles Toll Road on behalf of MWAA.

Investment

The volatile and unfavorable conditions in the financial markets have adversely affected the Commonwealth's investment portfolios. As of November 14, 2008, it is estimated that the value of the portfolio including VRS, taken as a whole has declined approximately \$25.0 billion or 26 percent since June 30. The majority of the valuation decline results directly from the market conditions. The Commonwealth has taken steps to mitigate the risk of loss by monitoring exposure in various asset classes and making adjustments within approved investment policies. While the Commonwealth currently has four financially impaired holdings, there is no significant financial risk to the Commonwealth.

Debt

On November 25, 2008, the Commonwealth issued \$270,865,000 in General Obligation Bonds, Series 2008B to fund capital projects for educational facilities, parks and recreational facilities of the Commonwealth, revenue-producing projects at various institutions of higher education, and to refinance \$52,150,000 in General Obligation Refunding Bonds, Series 1998.

The Virginia Public Building Authority had planned to issue its Public Facilities Revenue Bonds, Series 2008B in early October. The issue was postponed and is expected to be issued in December 2008. The bonds will be used to finance or refinance the acquisition, construction, improvement, rehabilitation, furnishing, and equipping of various public facilities for use by the Commonwealth and its agencies or the Commonwealth's share of various regional and local jails and juvenile detention facility projects.

Component Units

Debt

In July 2008, the Virginia Resource Authority issued Clean Water Revolving Fund Revenue Bonds in the amount of \$181,280,000, dated August 14, 2008 with a final due date of October 1, 2031.

In July 2008, Hampton Roads Sanitation District was advised that a \$30 million loan has been authorized from the Virginia Water Facilities Revolving Fund to partially fund improvements at the York River Treatment Plant. The 20-year loan has an interest rate of 3.55 percent. Hampton Roads Sanitation District has not yet closed on the loan.

In November 2008, the Virginia Resources Authority as part of the Virginia Pooled Financing Program issued \$215,449,000 Infrastructure Revenue Bonds. Of this amount, \$147,495,000 were Senior Series 2008B and \$67,945,000 were Subordinate Series 2008B. The Subordinate Series are backed by the Commonwealth's Moral Obligation pledge.

In November 2008, the Virginia Housing Development Authority issued \$55,500,706 of Commonwealth Mortgage Bonds Pass Through Certificates 2008 Series C with an effective rate of 6.3 percent maturing on June 25, 2038. In addition, in December 2008, the Virginia Housing Development Authority expects to issue approximately \$300 million of Commonwealth Mortgage Bonds Series 2008DE.

The Virginia Public School Authority plans to issue \$118,930,000 of School Financing Bonds (1997 Resolution) Series 2008B to purchase certain general obligation local school bonds to finance capital projects for public schools. The bonds are expected to be issued in December 2008. The Authority also plans to sell approximately \$67,000,000 in a stand-alone issue for Fluvanna County in December 2008.

Investment

The volatile and unfavorable conditions in the financial markets have adversely affected the significant component units' investment portfolios as well. As of November 14, 2008, it is estimated that the value of the component unit portfolio has declined approximately \$1.7 billion or 15 percent since June 30. While the majority of the valuation decline results directly from the market conditions, approximately \$260.7 million or 15 percent of the decline is due to operational outflows in excess of inflows between July 1 and November 14, 2008. The component units have taken steps to mitigate the risk of loss by monitoring exposure in various asset classes and making adjustments within approved investment policies. While the component units currently have one financially impaired holding, there is no significant financial risk to the component units.



Required Supplementary Information

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

Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	General Fund			Final/Actual
	Original	Final	Actual	Variance
	Budget	Budget		Positive
				(Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 10,515,300	\$ 10,171,300	\$ 10,114,833	\$ (56,467)
Sales and Use	3,493,100	3,325,200	3,302,181	(23,019)
Corporation Income	794,900	699,100	807,852	108,752
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	554,900	495,500	456,348	(39,152)
Premiums of Insurance Companies	411,100	418,400	396,858	(21,542)
Alcoholic Beverage Sales	163,000	170,000	168,862	(1,138)
Tobacco Products	185,200	183,700	183,946	246
Estate	129,400	118,500	153,378	34,878
Public Service Corporations	95,100	88,000	96,390	8,390
Other Taxes	27,600	23,600	15,459	(8,141)
Rights and Privileges	66,600	68,800	67,449	(1,351)
Sales of Property and Commodities	100	5,100	2,460	(2,640)
Assessments and Receipts for Support of Special Services	400	300	461	161
Institutional Revenue	8,800	7,500	7,590	90
Interest, Dividends, and Rents	251,777	227,574	252,284	24,710
Fines, Forfeitures, Court Fees, Penalties, and Escheats	198,200	202,400	195,716	(6,684)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	10,200	10,300	10,091	(209)
Private Donations, Gifts and Contracts	-	-	31	31
Tobacco Master Settlement	52,929	54,006	53,684	(322)
Other	67,550	73,838	63,844	(9,994)
Total Revenues	17,026,156	16,343,118	16,349,717	6,599
Expenditures:				
Current:				
General Government	2,047,158	1,832,064	1,789,768	42,296
Education	7,980,285	7,863,398	7,822,396	41,002
Transportation	44	52,042	25,971	26,071
Resources and Economic Development	298,438	353,333	329,729	23,604
Individual and Family Services	4,281,480	4,275,525	4,255,474	20,051
Administration of Justice	2,312,213	2,439,998	2,424,790	15,208
Capital Outlay	256,590	511,963	370,552	141,411
Total Expenditures	17,176,208	17,328,323	17,018,680	309,643
Revenues Over (Under) Expenditures	(150,052)	(985,205)	(668,963)	316,242
Other Financing Sources (Uses):				
Transfers:				
Transfers In	556,221	621,173	634,513	13,340
Transfers Out	(554,145)	(702,134)	(700,861)	1,273
Total Other Financing Sources (Uses)	2,076	(80,961)	(66,348)	14,613
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(147,976)	(1,066,166)	(735,311)	330,855
Fund Balance, July 1	2,955,101	2,955,101	2,955,101	-
Fund Balance, June 30	\$ 2,807,125	\$ 1,888,935	\$ 2,219,790	\$ 330,855

See notes on page 165 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
513,488	548,571	503,048	(45,523)
-	-	-	-
904,071	916,484	891,410	(25,074)
597,092	618,790	533,761	(85,029)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
61,246	42,014	36,699	(5,315)
425,971	543,091	604,811	61,720
556	556	3,536	2,980
20,147	18,983	18,630	(353)
-	-	-	-
31,069	166,622	92,872	(73,750)
11,029	10,333	12,514	2,181
1,189,318	1,223,351	879,850	(343,501)
204,129	237,679	82,276	(155,403)
-	-	21,142	21,142
-	-	-	-
1,497	26,280	26,713	433
3,959,613	4,352,754	3,707,262	(645,492)
2,303	2,387	2,234	153
2,400	2,400	2,400	-
3,919,643	4,506,274	3,777,444	728,830
15,428	17,541	16,245	1,296
-	-	-	-
7,958	7,958	7,958	-
63,739	68,286	42,024	26,262
4,011,471	4,604,846	3,848,305	756,541
(51,858)	(252,092)	(141,043)	111,049
170,700	327,935	349,600	21,665
(287,719)	(428,976)	(292,979)	135,997
(117,019)	(101,041)	56,621	157,662
(168,877)	(353,133)	(84,422)	268,711
1,876,376	1,876,376	1,876,376	-
\$ 1,707,499	\$ 1,523,243	\$ 1,791,954	\$ 268,711

Continued on next page

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General and Major Special Revenue Funds** *(Continued from previous page)*

Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Estate	-	-	-	-
Public Service Corporations	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	40	20	-	(20)
Sales of Property and Commodities	438	485	286	(199)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	358	2,639	3,053	414
Fines, Forfeitures, Court Fees, Penalties, and Escheats	43	384	426	42
Federal Grants and Contracts	5,393,949	5,567,677	5,684,267	116,590
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	30,216	28,477	60,825	32,348
Total Revenues	5,425,044	5,599,682	5,748,857	149,175
Expenditures:				
Current:				
General Government	123,128	153,966	114,153	39,813
Education	804,187	909,240	867,297	41,943
Transportation	34,017	23,025	13,644	9,381
Resources and Economic Development	154,443	165,325	123,634	41,691
Individual and Family Services	4,235,239	4,261,387	4,572,825	(311,438)
Administration of Justice	58,815	62,951	38,290	24,661
Capital Outlay	15,172	23,745	10,323	13,422
Total Expenditures	5,425,001	5,599,639	5,740,166	(140,527)
Revenues Over (Under) Expenditures	43	43	8,691	8,648
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	14,082	14,082
Transfers Out	(43)	(43)	(22,773)	(22,730)
Total Other Financing Sources (Uses)	(43)	(43)	(8,691)	(8,648)
Revenues and Other Sources Over (Under)	-	-	-	-
Expenditures and Other Uses	-	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

See notes on page 165 in this section.

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

1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2008, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison Budgetary Basis to GAAP Basis June 30, 2008 (Dollars in Thousands)			
	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	\$ 2,219,790	\$ 1,791,954	\$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	571,892	137,364	-
Tax Refunds	(419,980)	-	-
Other Revenue/Other Sources	(14,936)	141,268	465,094
Deferred Taxes (2)	(194,497)	-	-
Medicaid Payable	(213,501)	-	(213,481)
Accrued Expenditures/Other Uses	(745,849)	(226,990)	(164,945)
Fund Balance, Modified Accrual Basis	<u>\$ 1,202,919</u>	<u>\$ 1,843,596</u>	<u>\$ 86,668</u>

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.Q.

2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2008, except the Literary Fund which has no approved budget.

(Dollars in Thousands)	General Fund (10)	Commonwealth Transportation Fund	Federal Trust Fund (11)
Appropriations (1)	\$ 17,176,208	\$ 4,011,471	\$ 5,425,001
Supplemental Appropriations:			
Reappropriations (2)	1,168,709	63,739	27,695
Subsequent Executive (3)	53,417	277,356	229,109
Subsequent Legislative (4)	(40,577)	288,916	(42,567)
Capital Outlay and Operating Reversions (5)	(11,132)	(93)	(265)
Deficit (6)	3,413	-	-
Transfers (7)	(843,205)	160,211	(11,528)
Capital Outlay Adjustment (8)	(178,510)	(59,125)	(27,806)
Debt Service Adjustment (9)	-	(137,629)	-
Appropriations, as adjusted	<u>\$ 17,328,323</u>	<u>\$ 4,604,846</u>	<u>\$ 5,599,639</u>

1. Represents the budget appropriated through Chapter 847, 2007 Acts of Assembly, as amended by Chapter 847, 2008 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents additional appropriations authorized by the Governor to prevent agencies from incurring deficits. This deficit appropriation relates to the payment of startup costs for the Northern Virginia and Hampton Roads Transportation Authorities and the Sitter-Barfoot Veterans Care Center.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.7 billion (General Fund) and \$2.3 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
8. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
9. The Special Revenue Commonwealth Transportation Fund appropriations have been adjusted for debt service.
10. Prior year reversions of \$444 million are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
11. Appropriations do not include food stamp issuances of \$590 million since this is a noncash item; however, this amount is included in actual expenditures.

Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Virginia Retirement System (VRS) **						
2007	\$ 47,815	\$ 58,116	\$ 10,301	82.3%	\$ 13,834	74.5%
2006	42,669	52,822	10,153	80.8%	13,002	78.1%
* 2005	40,372	49,628	9,256	81.3%	12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
2003	39,243	40,698	1,455	96.4%	10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
2001	37,968	35,384	(2,584)	107.3%	10,145	(25.5%)
* 2000	34,392	32,643	(1,749)	105.4%	9,529	(18.4%)
1999	29,804	31,419	1,615	94.9%	9,138	17.7%
** 1998	25,481	29,027	3,546	87.8%	8,638	41.1%
State Police Officers' Retirement System (SPORS)						
2007	\$ 595	\$ 806	\$ 211	73.8%	\$ 101	208.9%
2006	539	730	191	73.8%	94	203.2%
* 2005	514	673	159	76.4%	91	174.7%
2004	510	656	146	77.9%	82	176.8%
2003	509	616	107	82.6%	79	135.4%
2002	508	595	87	85.4%	81	107.4%
2001	495	557	62	88.9%	83	74.7%
* 2000	441	513	72	86.0%	81	88.9%
1999	377	463	86	81.4%	77	111.7%
** 1998	322	425	103	75.8%	65	158.5%
Virginia Law Officers' Retirement System (VaLORS)						
2007	\$ 766	\$ 1,166	\$ 400	65.7%	\$ 341	117.3%
2006	656	1,096	440	59.9%	321	137.1%
* 2005	575	980	405	58.7%	307	131.9%
2004	509	927	418	54.9%	298	140.3%
2003	458	854	396	53.6%	292	135.6%
2002	418	806	388	51.9%	306	126.8%
2001	393	628	235	62.6%	320	73.4%
*** 2000	307	680	373	45.1%	315	118.4%
Judicial Retirement System (JRS)						
2007	\$ 340	\$ 442	\$ 102	76.9%	\$ 58	175.9%
2006	302	424	122	71.2%	54	225.9%
* 2005	288	402	114	71.6%	52	219.2%
2004	285	366	81	77.9%	48	168.8%
2003	282	348	66	81.0%	48	137.5%
2002	281	352	71	79.8%	48	147.9%
2001	277	342	65	81.0%	47	138.3%
* 2000	245	330	85	74.2%	45	188.9%
1999	210	302	92	69.5%	42	219.0%
** 1998	180	274	94	65.7%	39	241.0%

* Revised economic and demographic assumptions due to experience study.

** Change in benefit formula, unreduced early retirement age and in the actuarial amortization method.

*** The first actuarial valuation for the Virginia Law Officers' Retirement System, established on October 1, 1999, was performed as of June 30, 2000.

See Notes on following page.

Notes:	Valuation Date:	June 30, 2007
	Actuarial Cost Method:	Entry Age Normal
	Amortization Method:	
	State Employees	Level percent, closed
	Teachers	Level percent, closed
	Political Subdivision Employees	Level percent, closed
	State Police / VA Law Officers / Judges	Level percent, closed
	Payroll Growth Rate:	
	State Employees	3.00%
	Teachers	3.00%
	Political Subdivision Employees	2.50%
	State Police / VA Law Officers / Judges	3.00%
	Remaining Amortization Period:	
	State Employees	20 years
	Teachers	20 years
	Political Subdivision Employees	20 years
	State Police / VA Law Officers / Judges	20 years
	Asset Valuation Method:	5 year Smoothed Market
	Actuarial Assumptions:	
	Investment Rate of Return (1)	7.50%
	Projected Salary Increases (1)	
	State Employees	3.75% to 5.60%
	Teachers	3.75% to 6.20%
	Political Subdivision Employees (Non-Hazardous Duty Employees)	3.75% to 5.60%
	Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%
	State Police / VA Law Officers	3.50% to 4.75%
	Judges	3.50%
	Cost of Living Adjustments	2.50%

(1) Includes inflation at 2.50%.

Schedule of Employer Contributions – Defined Pension Plans

(Dollars in Millions)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Statutory Required Contribution	Percentage Contributed
Virginia Retirement System (VRS)				
2008 *	\$ 1,378,993	92.58%	\$ 1,276,645	100.00%
2007 *	1,299,606	85.89%	1,116,217	100.00%
2006 *	864,245	89.51%	773,553	100.00%
2005 *	810,944	85.26%	691,415	100.00%
2004 *	469,200	91.66%	430,064	100.00%
2003 *	450,766	67.61%	304,784	100.00%
2002 *	459,613	79.68%	366,239	100.00%
2001 *	630,458	99.99%	630,370	100.00%
2000 *	785,376	93.24%	732,273	100.00%
1999 *	738,051	85.64%	632,084	100.00%
State Police Officers' Retirement System (SPORS)				
2008 *	\$ 22,941	91.49%	\$ 20,989	100.00%
2007 *	19,402	84.31%	16,358	100.00%
2006 *	23,132	65.96%	15,258	100.00%
2005 *	21,946	65.96%	14,475	100.00%
2004 *	20,187	51.16%	10,328	100.00%
2003 *	19,866	44.20%	8,781	100.00%
2002 *	20,190	50.00%	10,095	100.00%
2001	20,420	100.00%	20,420	100.00%
2000 *	17,684	85.07%	15,044	100.00%
1999 *	16,088	69.87%	11,241	100.00%
Virginia Law Officers' Retirement System (VaLORS)				
2008 *	\$ 61,325	91.20%	\$ 55,929	100.00%
2007 *	56,190	86.03%	48,338	100.00%
2006 *	77,414	67.96%	52,611	100.00%
2005 *	74,301	67.96%	50,495	100.00%
2004 *	72,752	55.80%	40,596	100.00%
2003 *	72,699	48.00%	34,895	100.00%
2002 *	77,417	32.30%	25,006	100.00%
2001	51,072	100.00%	51,072	100.00%
2000 **	16,216	84.81%	13,753	100.00%
Judicial Retirement System (JRS)				
2008 *	\$ 23,599	94.86%	\$ 22,386	100.00%
2007 *	22,557	91.02%	20,530	100.00%
2006 *	23,871	67.89%	16,206	100.00%
2005 *	22,490	67.89%	15,269	100.00%
2004 *	21,341	71.18%	15,190	100.00%
2003 *	21,110	64.44%	13,604	100.00%
2002 *	21,282	50.00%	10,641	100.00%
2001	20,822	100.00%	20,822	100.00%
2000 *	15,075	99.07%	14,935	100.00%
1999 *	14,118	91.64%	12,938	100.00%

* Contributions made by employers during the fiscal years ended June 30, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, and 2008 were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet the statutory requirements.

** The VaLORS program went into effect on October 1, 1999.

Funding Progress for Other Post-Employment Benefit Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Group Life Insurance Fund						
2007	\$ 880	\$ 1,552	\$ 672	56.7%	\$ 14,822	4.5%
* 2006	\$ 751	\$ 1,436	\$ 685	52.3%	\$ 13,923	4.9%
Retiree Health Insurance Credit Fund						
2007	\$ 198	\$ 1,814	\$ 1,616	10.9%	\$ 10,571	15.3%
* 2006	\$ 175	\$ 1,316	\$ 1,141	13.3%	\$ 9,965	11.5%
Disability Insurance Trust Fund						
2007	\$ 264	\$ 451	\$ 187	58.5%	\$ 3,909	4.8%
* 2006	\$ 192	\$ 423	\$ 231	45.4%	\$ 3,716	6.2%
Line of Duty Death and Disability Trust Fund						
2008	\$ 3	\$ 185	\$ 182	1.6%	\$ N/A	-
2007	\$ -	\$ 146	\$ 146	-	\$ N/A	-
* 2006	\$ -	\$ 99	\$ 99	-	\$ N/A	-
Pre-Medicare Retiree Healthcare Fund						
** 2007	\$ -	\$ 982	\$ 982	-	\$ 2,931	33.5%

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

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

See Notes on following page.

Notes	Group Life Insurance Fund	Retiree Health Insurance Credit Fund	Disability Insurance Trust Fund	Line of Duty Death and Disability Trust Fund	Pre-Medicare Retiree Healthcare Fund
Valuation Date	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2008	June 30, 2007
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent, Open	Level Percent, Open	Level Percent, Open	Level Percent, Open	Level dollar, Open
Payroll Growth Rate:					
State Employees	3.00%	3.00%	3.00%	N/A	3.00%
Teachers	3.00%	3.00%	N/A	N/A	N/A
Political Subdivision Employees	3.00%	3.00%	N/A	N/A	N/A
State Police / VA Law Officers / Judges	3.00%	3.00%	3.00%	3.00%	3.00%
Judges	3.00%	3.00%	N/A	N/A	N/A
Remaining Amortization Period	29 years	29 years	29 years	30 years	30 years
Asset Valuation Method	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value	Market Value	Market Value
Actuarial Assumptions:					
Investment Rate of Return (1)	7.50%	7.50%	7.50%	7.50%	4.97%
Projected Salary Increases (1)					
State Employees	3.75% to 5.60%	N/A	3.75% to 5.60%	N/A	3.75% to 5.60%
Teachers	3.75% to 6.20%	N/A	N/A	N/A	N/A
Political Subdivision Employees (Non-Hazardous Duty Employees)	3.75% to 5.60%	N/A	N/A	N/A	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%	N/A	N/A	N/A	N/A
State Police / VA Law Officers / Judges	3.50% to 4.75%	N/A	3.50% to 4.75%	3.50% to 4.75%	3.50% to 4.75%
Judges	3.50%	N/A	N/A	N/A	N/A

(1) Includes inflation at 2.50%.

Schedule of Employer Contributions – Other Post-Employment Benefit Plans

(Dollars in Millions)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Statutory Required Contribution	Percentage Contributed
<i>Group Life Insurance Fund</i>				
2008 *	\$ 158,740	100.00%	\$ 158,740	100.00%
<i>Retiree Health Insurance Credit Fund</i>				
2008 *	\$ 147,524	100.00%	\$ 147,524	100.00%
<i>Disability Insurance Trust Fund</i>				
2008 *	\$ 97,975	80.00%	\$ 78,380	100.00%
<i>Line of Duty Death and Disability Trust Fund</i>				
2008 *	\$ 9,786	102.45%	\$ 10,026	100.00%
<i>Pre-Medicare Retiree Healthcare Fund</i>				
2008 *	\$ 127,426	25.21%	\$ -	-

* 2008 was the first fiscal year in which contribution requirements were computed using the required parameters of GASB 43. For all plans, the contributions made were in accordance with the actuarially determined Annual Required Contribution (ARC) and the statutory requirements.

Claims Development Information – Risk Management

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1999	2000	2001	2002
1. Required contribution and investment revenue:				
Earned	\$ 6,780	\$ 6,478	\$ 5,814	\$ 5,936
Ceded (a)	-	-	-	-
Net earned	6,780	6,478	5,814	5,936
2. Unallocated expenses	703	1,223	1,863	902
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	2,719	2,263	2,687	4,110
Ceded (a)	-	-	-	-
Net incurred	2,719	2,263	2,687	4,110
4. Net paid (cumulative) as of:				
End of policy year	439	196	336	550
One year later	2,100	2,688	1,628	1,979
Two years later	2,938	3,322	2,388	2,291
Three years later	4,555	3,369	2,490	2,556
Four years later	4,873	3,447	2,530	2,864
Five years later	4,931	4,042	2,616	2,900
Six years later	5,144	4,062	2,616	3,054
Seven years later	5,144	4,069	2,618	
Eight years later	5,175	4,080		
Nine years later	5,205			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	2,719	2,263	2,687	4,110
One year later	5,509	4,801	3,752	4,458
Two years later	5,997	4,467	3,318	4,196
Three years later	5,769	3,589	3,270	3,734
Four years later	5,146	3,575	3,186	3,299
Five years later	5,955	4,211	3,171	3,566
Six years later	6,017	4,236	3,171	3,240
Seven years later	6,017	4,212	3,168	
Eight years later	5,265	4,162		
Nine years later	5,290			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	2,571	1,899	481	(870)

The Commonwealth provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987. For fiscal years 1992-2000, this insurance coverage was provided through the Department of General Services, Division of Risk Management. Effective July 1, 2000, this coverage was provided through the Department of Treasury, Division of Risk Management.

See Notes on page 176 in this section.

2003	2004	2005	2006	2007	2008
\$ 5,740	\$ 5,729	\$ 5,788	\$ 6,166	\$ 6,560	\$ 6,759
-	-	-	-	-	-
5,740	5,729	5,788	6,166	6,560	6,759
918	1,209	1,068	1,008	1,047	1,307
3,488	2,861	2,790	1,539	2,060	3,330
-	-	-	-	-	-
3,488	2,861	2,790	1,539	2,060	3,330
380	161	227	177	106	493
1,894	1,072	1,699	745	1,051	
2,181	1,420	2,079	1,421		
2,375	1,539	2,332			
2,435	1,559				
2,454					
-	-	-	-	-	-
3,488	2,861	2,790	1,539	2,060	3,330
3,237	3,302	3,563	2,168	3,316	
2,910	2,306	3,418	2,494		
2,619	1,700	3,204			
2,447	1,697				
2,467					
(1,021)	(1,164)	414	955	1,256	-

Claims Development Information – Health Care

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1999	2000	2001	2002
1. Required contribution and investment revenue:				
Earned	\$ 64,419	\$ 75,569	\$ 88,313	\$ 100,836
Ceded (a)	-	-	-	-
Net earned	64,419	75,569	88,313	100,836
2. Unallocated expenses	6,632	6,997	7,203	6,225
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	70,719	76,816	87,222	95,860
Ceded (a)	-	-	-	-
Net incurred	70,719	76,816	87,222	95,860
4. Net paid (cumulative) as of:				
End of policy year	62,219	68,336	74,579	80,974
One year later	-	-	-	-
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	70,719	74,417	87,222	95,860
One year later	70,719	74,417	87,222	95,860
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	(2,399)	-	-

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 176 in this section.

2003	2004	2005	2006	2007	2008
\$ 118,825	\$ 137,582	\$ 157,959	\$ 184,360	\$ 202,366	\$ 211,034
-	-	-	-	-	-
118,825	137,582	157,959	184,360	202,366	211,034
6,171	6,271	10,655	11,899	13,782	16,215
104,453	124,887	144,976	152,289	163,787	185,117
-	-	-	-	-	-
104,453	124,887	144,976	152,289	163,787	185,117
99,443	99,656	140,452	147,534	159,769	181,566
-	-	-	-	-	-
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
104,453	124,887	144,976	152,289	163,787	185,117
104,453	124,887	144,976	152,289	163,787	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-

Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

Combining and Individual Fund Statements and Schedules



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.

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

The Water Quality Improvement Fund accounts for sums appropriated by the General Assembly and for other funds from any public or private source. Funds are used for water quality improvement grants to assist in pollution prevention and reduction.

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

Debt Service Funds:

The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Assets.

Primary Government accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, mental health, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

Capital Project Funds

The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.

Primary Government accounts for the financial resources acquired through the issuance of General Obligation Bonds and Energy Performance Contracts. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

Permanent Funds

Permanent Funds are funds whose principal must remain intact.

Commonwealth Health Research Fund provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such as a condition of a legal settlement.

Prescription Monitoring Program provides funds to establish, maintain, and administer an electronic system to monitor the dispensing of controlled substances benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such as a condition of a legal settlement.

Mental Health Endowment Funds provide funds for the welfare of patients in mental health facilities. The entire fund balance is restricted for use as such.

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2008

(Dollars in Thousands)

	Special Revenue Funds			
	Health and Social Services	Water Quality Improvement Fund	Other	Total
Assets				
Cash and Cash Equivalents	\$ 162,175	\$ 329,940	\$ 552,754	\$ 1,044,869
Investments	10,343	68,057	64,178	142,578
Receivables, Net	53,180	-	39,312	92,492
Due From Other Funds	-	-	6,913	6,913
Due from Component Units	-	-	-	-
Due From External Parties (Fiduciary Funds)	-	-	182	182
Interfund Receivable	-	-	51,157	51,157
Inventory	5,891	-	200	6,091
Prepaid Items	5,857	-	1,619	7,476
Other Assets	224	-	927	1,151
Loans Receivable from Component Units	-	-	15,641	15,641
Total Assets	<u>\$ 237,670</u>	<u>\$ 397,997</u>	<u>\$ 732,883</u>	<u>\$ 1,368,550</u>
Liabilities and Fund Balances				
Accounts Payable	\$ 24,999	\$ 2,253	\$ 31,171	\$ 58,423
Amounts Due to Other Governments	-	-	1,456	1,456
Due to Other Funds	3,145	-	3,435	6,580
Due to Component Units	-	-	-	-
Deferred Revenue	3,143	-	10,963	14,106
Unearned Revenue	3,327	-	5,929	9,256
Obligations Under Securities Lending Program	9,011	86,124	74,589	169,724
Other Liabilities	-	-	5,334	5,334
Long-term Liabilities Due Within One Year	119	-	219	338
Total Liabilities	<u>43,744</u>	<u>88,377</u>	<u>133,096</u>	<u>265,217</u>
Fund Balances Reserved for:				
Inventory	5,891	-	260	6,151
Prepaid Items	5,857	-	1,619	7,476
Debt Service	-	-	-	-
Gifts and Grants	29,154	-	27,917	57,071
Capital Acquisition	-	-	591	591
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	153,024	309,620	569,400	1,032,044
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances (Deficit)	<u>193,926</u>	<u>309,620</u>	<u>599,787</u>	<u>1,103,333</u>
Total Liabilities and Fund Balances	<u>\$ 237,670</u>	<u>\$ 397,997</u>	<u>\$ 732,883</u>	<u>\$ 1,368,550</u>

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ 101,085	\$ -	\$ 101,085	\$ 90,215	\$ 88,465	\$ 178,680
-	-	-	153	-	153
-	-	-	-	234	234
-	-	-	-	-	-
-	-	-	674	-	674
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 101,085	\$ -	\$ 101,085	\$ 91,042	\$ 88,699	\$ 179,741
\$ -	\$ -	\$ -	\$ 2,914	\$ 10,256	\$ 13,170
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	32,865	-	32,865
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	194	-	194
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	35,973	10,256	46,229
-	-	-	-	-	-
-	-	-	-	-	-
101,085	-	101,085	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	55,069	78,443	133,512
-	-	-	-	-	-
101,085	-	101,085	55,069	78,443	133,512
\$ 101,085	\$ -	\$ 101,085	\$ 91,042	\$ 88,699	\$ 179,741

Continued on next page

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

June 30, 2008

(Dollars in Thousands)

	Permanent Funds			
	Commonwealth Health Research Board	Prescription Monitoring Fund	Mental Health Endowment Funds	Total
Assets				
Cash and Cash Equivalents	\$ 60	\$ 22,357	\$ 262	\$ 22,679
Investments	30,805	4,612	-	35,417
Receivables, Net	-	-	-	-
Due From Other Funds	-	-	-	-
Due from Component Units	-	-	-	-
Due From External Parties (Fiduciary Funds)	-	-	-	-
Interfund Receivable	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	-	-	-	-
Other Assets	-	-	-	-
Loans Receivable from Component Units	-	-	-	-
Total Assets	<u>\$ 30,865</u>	<u>\$ 26,969</u>	<u>\$ 262</u>	<u>\$ 58,096</u>
Liabilities and Fund Balances				
Accounts Payable	\$ 3	\$ -	\$ -	\$ 3
Amounts Due to Other Governments	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Component Units	-	-	-	-
Deferred Revenue	-	-	-	-
Unearned Revenue	-	-	-	-
Obligations Under Securities Lending Program	16	5,836	-	5,852
Other Liabilities	-	-	-	-
Long-term Liabilities Due Within One Year	-	-	-	-
Total Liabilities	<u>19</u>	<u>5,836</u>	<u>-</u>	<u>5,855</u>
Fund Balances Reserved for:				
Inventory	-	-	-	-
Prepaid Items	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Acquisition	-	-	-	-
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Funds	30,846	21,133	262	52,241
Total Fund Balances (Deficit)	<u>30,846</u>	<u>21,133</u>	<u>262</u>	<u>52,241</u>
Total Liabilities and Fund Balances	<u>\$ 30,865</u>	<u>\$ 26,969</u>	<u>\$ 262</u>	<u>\$ 58,096</u>

**Total
Nonmajor
Governmental
Funds**

\$	1,347,313
	178,148
	92,726
	6,913
	674
	182
	51,157
	6,091
	7,476
	1,151
	15,641
\$	1,707,472
\$	71,596
	1,456
	6,580
	32,865
	14,106
	9,256
	175,770
	5,334
	338
	317,301
	6,151
	7,476
	101,085
	57,071
	591
	1,032,044
	133,512
	52,241
	1,390,171
\$	1,707,472

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

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Special Revenue Funds			
	Health and Social Services	Water Quality Improvement Fund	Other	Total
Revenues				
Taxes	\$ 9,022	\$ -	\$ 75,890	\$ 84,912
Rights and Privileges	106,875	-	167,242	274,117
Institutional Revenue	332,450	-	49,739	382,189
Interest, Dividends, Rents, and Other Investment Income	2,299	19,640	23,261	45,200
Federal Grants and Contracts	14,249	-	-	14,249
Other	132,197	-	322,697	454,894
Total Revenues	597,092	19,640	638,829	1,255,561
Expenditures				
Current:				
General Government	781	-	110,163	110,944
Education	1,366	-	28,771	30,137
Transportation	-	-	3,662	3,662
Resources and Economic Development	35,681	75,540	284,060	395,281
Individual and Family Services	539,770	-	54,838	594,608
Administration of Justice	109	-	76,967	77,076
Capital Outlay	664	-	20,558	21,222
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	578,371	75,540	579,019	1,232,930
Revenues Over (Under) Expenditures	18,721	(55,900)	59,810	22,631
Other Financing Sources (Uses)				
Transfers In	24,427	5,000	68,500	97,927
Transfers Out	(18,786)	(248)	(33,857)	(52,891)
Insurance Recoveries	48	-	1,556	1,604
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	-	-	2,872	2,872
Payment to Refunded Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	5,689	4,752	39,071	49,512
Net Change in Fund Balances	24,410	(51,148)	98,881	72,143
Fund Balance (Deficit), July 1	169,516	360,768	500,906	1,031,190
Fund Balance (Deficit), June 30	\$ 193,926	\$ 309,620	\$ 599,787	\$ 1,103,333

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,326	-	3,326	3,498	4,021	7,519
-	-	-	-	-	-
7,525	-	7,525	2,709	-	2,709
10,851	-	10,851	6,207	4,021	10,228
-	-	-	-	-	-
-	-	-	-	-	-
5	-	5	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	234,699	159,380	394,079
248,986	112,690	361,676	-	-	-
133,096	70,157	203,253	-	-	-
382,087	182,847	564,934	234,699	159,380	394,079
(371,236)	(182,847)	(554,083)	(228,492)	(155,359)	(383,851)
375,004	182,597	557,601	14	796	810
-	-	-	-	(228)	(228)
-	-	-	-	-	-
-	-	-	173,665	242,480	416,145
-	4,012	4,012	5,234	14,101	19,335
-	58,995	58,995	-	-	-
-	-	-	-	-	-
-	(62,757)	(62,757)	-	-	-
375,004	182,847	557,851	178,913	257,149	436,062
3,768	-	3,768	(49,579)	101,790	52,211
97,317	-	97,317	104,648	(23,347)	81,301
\$ 101,085	\$ -	\$ 101,085	\$ 55,069	\$ 78,443	\$ 133,512

Continued on next page

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Permanent Funds			
	Commonwealth		Mental	
	Health	Prescription	Health	
	Research	Monitoring	Endowment	
	Board	Fund	Funds	Total
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Rights and Privileges	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, Rents, and Other Investment Income	(975)	1,294	12	331
Federal Grants and Contracts	-	-	-	-
Other	-	-	-	-
Total Revenues	(975)	1,294	12	331
Expenditures				
Current:				
General Government	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Resources and Economic Development	-	-	-	-
Individual and Family Services	1,052	251	5	1,308
Administration of Justice	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	1,052	251	5	1,308
Revenues Over (Under) Expenditures	(2,027)	1,043	7	(977)
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Insurance Recoveries	-	-	-	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(2,027)	1,043	7	(977)
Fund Balance (Deficit), July 1	32,873	20,090	255	53,218
Fund Balance (Deficit), June 30	\$ 30,846	\$ 21,133	\$ 262	\$ 52,241

Total
Nonmajor
Governmental
Funds

\$	84,912
	274,117
	382,189
	56,376
	14,249
	465,128
	<u>1,276,971</u>
	110,944
	30,137
	3,667
	395,281
	595,916
	77,076
	415,301
	361,676
	203,253
	<u>2,193,251</u>
	(916,280)
	656,338
	(53,119)
	1,604
	416,145
	23,347
	58,995
	2,872
	(62,757)
	<u>1,043,425</u>
	127,145
	1,263,026
\$	<u><u>1,390,171</u></u>

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

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Health and Social Services			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Motor Fuel	\$ -	\$ -	\$ -	\$ -
Deeds, Contracts, Suits	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Public Service Corporations	1,000	7,464	9,022	1,558
Other Taxes	-	-	-	-
Rights and Privileges	106,051	104,315	106,764	2,449
Sales of Property and Commodities	15,996	18,839	16,365	(2,474)
Assessments and Receipts for Support of Special Services	-	-	3	3
Institutional Revenue	279,652	326,998	317,441	(9,557)
Interest, Dividends, and Rents	887	1,448	2,632	1,184
Fines, Forfeitures, Court Fees, Penalties, and Escheats	797	800	915	115
Federal Grants and Contracts	-	-	14,249	14,249
Receipts from Cities, Counties, and Towns	60,970	64,386	63,927	(459)
Private Donations, Gifts and Contracts	4,085	18,427	5,368	(13,059)
Other	56,201	40,610	46,931	6,321
Total Revenues	525,639	583,287	583,617	330
Expenditures:				
Current:				
General Government	161	481	471	10
Education	1,107	1,728	1,413	315
Transportation	-	-	-	-
Resources and Economic Development	35,518	39,139	34,966	4,173
Individual and Family Services	515,648	561,900	535,812	26,088
Administration of Justice	109	109	109	-
Capital Outlay	341	1,275	775	500
Total Expenditures	552,884	604,632	573,546	31,086
Revenues Over (Under) Expenditures	(27,245)	(21,345)	10,071	31,416
Other Financing Sources (Uses):				
Transfers:				
Transfers In	23,442	23,442	24,427	985
Transfers Out	(389)	(3,832)	(18,786)	(14,954)
Total Other Financing Sources (Uses)	23,053	19,610	5,641	(13,969)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(4,192)	(1,735)	15,712	17,447
Fund Balance, July 1	146,519	146,519	146,519	-
Fund Balance, June 30	\$ 142,327	\$ 144,784	\$ 162,231	\$ 17,447

See Notes on page 190 in this section.

Water Quality Improvement Fund				Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 37,575	\$ 36,525	\$ 36,005	\$ (520)
-	-	-	-	991	1,835	684	(1,151)
-	-	-	-	-	-	-	-
-	-	-	-	877	880	888	8
-	-	-	-	83	85	84	(1)
-	-	-	-	6,165	5,975	6,632	657
-	-	-	-	30,397	36,779	32,134	(4,645)
-	-	-	-	183,772	177,381	170,772	(6,609)
-	-	-	-	7,376	7,403	10,231	2,828
-	-	-	-	87,366	91,884	89,267	(2,617)
-	-	-	-	87,476	74,065	49,830	(24,235)
6,665	12,747	15,710	2,963	11,535	21,013	20,919	(94)
-	-	-	-	56,588	107,892	95,606	(12,286)
-	-	-	-	-	-	-	-
-	-	-	-	5,273	5,141	6,469	1,328
-	-	-	-	2,021	1,716	3,374	1,658
-	-	-	-	77,656	63,331	114,955	51,624
6,665	12,747	15,710	2,963	595,151	631,905	637,850	5,945
-	-	-	-	89,068	109,342	106,265	3,077
-	-	-	-	79,570	80,888	28,819	52,069
-	-	-	-	5,759	5,789	3,731	2,058
28,401	121,843	69,562	52,281	286,051	351,447	280,323	71,124
-	-	-	-	64,428	69,579	54,903	14,676
-	-	-	-	78,187	89,004	76,567	12,437
-	-	-	-	33,242	57,235	21,295	35,940
28,401	121,843	69,562	52,281	636,305	763,284	571,903	191,381
(21,736)	(109,096)	(53,852)	55,244	(41,154)	(131,379)	65,947	197,326
20,000	5,000	5,000	-	42,708	50,358	68,500	18,142
(48)	(48)	(248)	(200)	(15,196)	(25,051)	(33,854)	(8,803)
19,952	4,952	4,752	(200)	27,512	25,307	34,646	9,339
(1,784)	(104,144)	(49,100)	55,044	(13,642)	(106,072)	100,593	206,665
360,973	360,973	360,973	-	505,903	505,903	505,903	-
\$ 359,189	\$ 256,829	\$ 311,873	\$ 55,044	\$ 492,261	\$ 399,831	\$ 606,496	\$ 206,665

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

1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2008, to the fund balance on a modified accrual basis follows.

(Dollars in Thousands)

	Health and Social Services	Water Quality Improvement Fund	Other
Fund Balance, Basis of Budgeting	\$ 162,231	\$ 311,873	\$ 606,496
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	-	-	6,806
Other Revenue	47,779	-	21,318
Accrued Expenditures	(16,084)	(2,253)	(32,742)
Fund Reclassification - Budget to Modified Accrual	-	-	(2,091)
Fund Balance, Modified Accrual Basis	<u>\$ 193,926</u>	<u>\$ 309,620</u>	<u>\$ 599,787</u>

2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2008.

(Dollars in Thousands)

	Health and Social Services	Water Quality Improvement Fund	Other
Appropriations (1)	\$ 552,884	\$ 28,401	\$ 636,305
Supplemental Appropriations:			
Reappropriations (2)	775	-	129,908
Subsequent Executive (3)	48,248	108,329	101,418
Subsequent Legislative (4)	5,300	-	95,966
Capital Outlay Reversions (5)	(1)	-	(5,167)
Transfers (6)	(2,233)	(14,887)	(68,549)
Capital Outlay Adjustment (7)	(341)	-	(126,597)
Appropriations, as adjusted	<u>\$ 604,632</u>	<u>\$ 121,843</u>	<u>\$ 763,284</u>

1. Represents the budget appropriated through Chapter 847, 2007 Acts of Assembly, as amended by Chapter 847, 2008 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

Nonmajor Enterprise Funds

Enterprise Funds

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

Department of Alcoholic Beverage Control operates facilities for the distribution and sale of distilled spirits and wine.

Risk Management accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

Local Choice Health Care administers a health care plan for the employees of participating local governments.

Virginia Industries for the Blind manufactures products for sale to governments, certain private organizations, and the general public.

Consolidated Laboratory provides water testing services and a newborn screening program.

eVA Procurement System accounts for the statewide electronic procurement system.

Department of Environmental Quality accounts for the Title V program that offers services to the general public.

Wireless E-911 Service Board assists in the establishment of wireless E-911 service in Virginia localities.

Virginia Museum of Fine Arts accounts for gift shop and food service activities.

Science Museum of Virginia accounts for gift shop activities.

Mental Health Local Funds account for the canteen store and work activity programs.

Library of Virginia accounts for book shop activities.

Combining Statement of Net Assets – Nonmajor Enterprise Funds

June 30, 2008

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 2,211	\$ 30,161	\$ 95,309
Investments	456	6,221	19,659
Receivables, Net	3,240	24	17,279
Due From Other Funds	9	-	-
Inventory	43,881	-	-
Prepaid Items	1,613	71	-
Other Assets	160	-	-
Total Current Assets	51,570	36,477	132,247
Noncurrent Assets:			
Investments	-	-	-
Other Assets	137	-	-
Nondepreciable Capital Assets	1,828	-	-
Depreciable Capital Assets, Net	13,288	-	-
Total Noncurrent Assets	15,253	-	-
Total Assets	66,823	36,477	132,247
Liabilities			
Current Liabilities:			
Accounts Payable	17,512	147	6,585
Amounts Due to Other Governments	-	-	-
Due to Other Funds	7,424	-	-
Due to Component Units	-	-	-
Interfund Payable	31,494	-	-
Unearned Revenue	131	889	-
Obligations Under Securities Lending Program	577	7,873	24,878
Other Liabilities	-	-	-
Claims Payable Due Within One Year	-	4,764	19,211
Long-term Liabilities Due Within One Year	3,394	36	-
Total Current Liabilities	60,532	13,709	50,674
Noncurrent Liabilities:			
Interfund Payable	-	-	-
Claims Payable Due in More Than One Year	-	8,483	-
Long-term Liabilities Due in More Than One Year	16,614	145	-
Total Noncurrent Liabilities	16,614	8,628	-
Total Liabilities	77,146	22,337	50,674
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,382	-	-
Unrestricted	(23,705)	14,140	81,573
Total Net Assets (Deficit)	\$ (10,323)	\$ 14,140	\$ 81,573

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 7,321	\$ 5,411	\$ 15,191	\$ 7,660	\$ 21,750	\$ 474	\$ 204
-	-	-	1,580	4,492	-	-
687	153	5,965	-	7,639	56	-
-	185	1,892	-	385	-	-
3,051	71	-	-	-	259	79
-	-	-	-	-	-	-
-	-	-	-	-	5	-
11,059	5,820	23,048	9,240	34,266	794	283
-	-	-	-	-	-	-
-	-	-	-	-	-	-
401	-	-	-	-	-	-
5,693	399	336	-	-	-	2
6,094	399	336	-	-	-	2
17,153	6,219	23,384	9,240	34,266	794	285
942	236	3,869	4	6,586	10	9
-	-	-	-	5,158	-	-
7	52	195	970	8	-	-
-	-	2,373	-	-	-	-
-	-	-	-	-	-	-
-	2,110	-	-	-	-	1
-	-	-	1,999	5,684	-	-
-	-	-	-	-	79	-
-	-	-	-	-	-	-
158	114	83	467	28	10	-
1,107	2,512	6,520	3,440	17,464	99	10
-	-	-	-	-	-	-
-	-	-	-	-	-	-
549	464	325	1,630	307	164	41
549	464	325	1,630	307	164	41
1,656	2,976	6,845	5,070	17,771	263	51
6,094	399	336	-	-	-	2
9,403	2,844	16,203	4,170	16,495	531	232
\$ 15,497	\$ 3,243	\$ 16,539	\$ 4,170	\$ 16,495	\$ 531	\$ 234

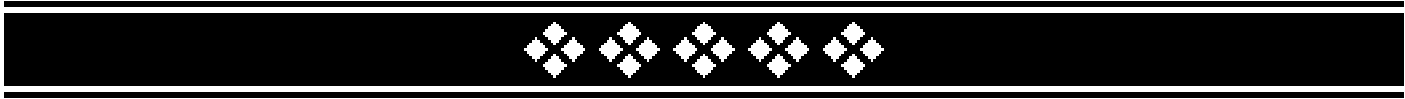
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Combining Statement of Net Assets – Nonmajor Enterprise Funds *(Continued from previous page)*

June 30, 2008

(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 505	\$ -	\$ 186,197
Investments	-	-	32,408
Receivables, Net	-	10	35,053
Due From Other Funds	-	-	2,471
Inventory	-	264	47,605
Prepaid Items	-	-	1,684
Other Assets	-	-	165
Total Current Assets	505	274	305,583
Noncurrent Assets:			
Investments	1	-	1
Other Assets	-	-	137
Nondepreciable Capital Assets	-	-	2,229
Depreciable Capital Assets, Net	-	-	19,718
Total Noncurrent Assets	1	-	22,085
Total Assets	506	274	327,668
Liabilities			
Current Liabilities:			
Accounts Payable	-	18	35,918
Amounts Due to Other Governments	-	-	5,158
Due to Other Funds	-	-	8,656
Due to Component Units	-	-	2,373
Interfund Payable	-	-	31,494
Unearned Revenue	-	-	3,131
Obligations Under Securities Lending Program	-	-	41,011
Other Liabilities	179	-	258
Claims Payable Due Within One Year	-	-	23,975
Long-term Liabilities Due Within One Year	-	4	4,294
Total Current Liabilities	179	22	156,268
Noncurrent Liabilities:			
Interfund Payable	-	394	394
Claims Payable Due in More Than One Year	-	-	8,483
Long-term Liabilities Due in More Than One Year	-	20	20,259
Total Noncurrent Liabilities	-	414	29,136
Total Liabilities	179	436	185,404
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	-	20,213
Unrestricted	327	(162)	122,051
Total Net Assets (Deficit)	\$ 327	\$ (162)	\$ 142,264



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

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Operating Revenues			
Charges for Sales and Services	\$ 538,682	\$ 5,286	\$ 211,034
Other	26,995	-	165
Total Operating Revenues	565,677	5,286	211,199
Operating Expenses			
Cost of Sales and Services	319,577	-	-
Prizes and Claims	-	4,313	185,117
Personal Services	80,292	699	-
Contractual Services	20,413	523	16,215
Supplies and Materials	2,381	5	-
Depreciation and Amortization	8,341	-	-
Rent, Insurance, and Other Related Charges	21,132	35	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other	2,055	4	-
Total Operating Expenses	454,191	5,579	201,332
Operating Income (Loss)	111,486	(293)	9,867
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	501	1,830	5,163
Other	(549)	(358)	(986)
Total Nonoperating Revenues (Expenses)	(48)	1,472	4,177
Income (Loss) Before Transfers	111,438	1,179	14,044
Transfers In	39	-	-
Transfers Out	(113,394)	-	-
Change in Net Assets	(1,917)	1,179	14,044
Total Net Assets (Deficit), July 1	(8,406)	12,961	67,529
Total Net Assets (Deficit), June 30	\$ (10,323)	\$ 14,140	\$ 81,573

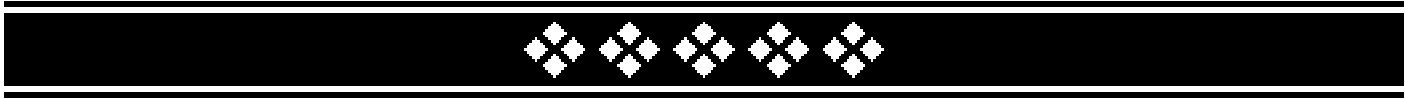
Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 23,572	\$ 8,073	\$ 25,842	\$ 9,836	\$ 50,462	\$ 1,418	\$ 539
-	-	-	1	-	32	39
23,572	8,073	25,842	9,837	50,462	1,450	578
-	-	-	-	-	594	254
-	-	-	-	-	-	-
4,853	2,447	1,808	9,473	1,079	776	204
323	613	12,747	702	538	60	2
18,459	1,946	10	86	19	26	3
149	200	77	-	-	-	4
470	563	434	1,250	4	-	-
-	-	-	-	47,804	-	-
107	79	2,598	106	17	-	21
24,361	5,848	17,674	11,617	49,461	1,456	488
(789)	2,225	8,168	(1,780)	1,001	(6)	90
-	-	-	-	-	-	-
-	-	-	378	630	13	-
-	-	(274)	(89)	(143)	-	(70)
-	-	(274)	289	487	13	(70)
(789)	2,225	7,894	(1,491)	1,488	7	20
171	-	-	-	-	-	-
-	(953)	-	-	(1,971)	(30)	-
(618)	1,272	7,894	(1,491)	(483)	(23)	20
16,115	1,971	8,645	5,661	16,978	554	214
\$ 15,497	\$ 3,243	\$ 16,539	\$ 4,170	\$ 16,495	\$ 531	\$ 234

Continued on next page

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –
Nonmajor Enterprise Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	Total
Operating Revenues			
Charges for Sales and Services	\$ 513	\$ 325	\$ 875,582
Other	-	-	27,232
Total Operating Revenues	513	325	902,814
Operating Expenses			
Cost of Sales and Services	472	103	321,000
Prizes and Claims	-	-	189,430
Personal Services	-	136	101,767
Contractual Services	-	24	52,160
Supplies and Materials	-	10	22,945
Depreciation and Amortization	-	-	8,771
Rent, Insurance, and Other Related Charges	-	-	23,888
Non-recurring Cost Estimate Payments to Providers	-	-	47,804
Other	-	-	4,987
Total Operating Expenses	472	273	772,752
Operating Income (Loss)	41	52	130,062
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	-	-	8,515
Other	-	-	(2,469)
Total Nonoperating Revenues (Expenses)	-	-	6,046
Income (Loss) Before Transfers	41	52	136,108
Transfers In	-	-	210
Transfers Out	(8)	-	(116,356)
Change in Net Assets	33	52	19,962
Total Net Assets (Deficit), July 1	294	(214)	122,302
Total Net Assets (Deficit), June 30	\$ 327	\$ (162)	\$ 142,264



Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Cash Flows from Operating Activities			
Receipts for Sales and Services	\$ 559,857	\$ 5,640	\$ 211,572
Internal Activity-Receipts from Other Funds	-	-	-
Internal Activity-Payments to Other Funds	-	-	-
Payments to Suppliers for Goods and Services	(356,884)	-	-
Payments for Contractual Services	(20,413)	(465)	(16,199)
Payments for Prizes, Claims, and Loss Control	-	(3,812)	(181,916)
Payments to Employees	(78,443)	(804)	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-
Other Operating Revenue	7,888	-	155
Other Operating Expense	-	-	-
Net Cash Provided by (Used for) Operating Activities	112,005	559	13,612
Cash Flows from Noncapital Financing Activities			
Transfers In From Other Funds	39	-	-
Transfers Out to Other Funds	(263,179)	-	-
Other Noncapital Financing Receipt Activities	181,393	-	-
Other Noncapital Financing Disbursement Activities	(28,623)	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(110,370)	-	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(619)	-	-
Payment of Principal and Interest on Bonds and Notes	(1,024)	-	-
Proceeds from Sale of Capital Assets	11	-	-
Other Capital and Related Financing Activities	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(1,632)	-	-
Cash Flows from Investing Activities			
Investment Income on Cash, Cash Equivalents, and Investments	-	1,472	4,177
Net Cash Provided by (Used for) Investing Activities	-	1,472	4,177
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash Equivalents	3	2,031	17,789
Cash and Cash Equivalents, July 1	2,247	26,478	72,301
Cash and Cash Equivalents, June 30	\$ 2,250	\$ 28,509	\$ 90,090
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 2,211	\$ 30,161	\$ 95,309
Cash and Travel Advances	160	-	-
Less:			
Securities Lending Cash Equivalents	(121)	(1,652)	(5,219)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 2,250</u>	<u>\$ 28,509</u>	<u>\$ 90,090</u>

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 19,398	\$ 7,859	\$ 15,182	\$ 9,837	\$ 48,200	\$ 1,510	\$ 540
4,345	44	13,056	-	-	-	-
-	(88)	(399)	-	(3,765)	-	-
(17,240)	(2,633)	(7)	(1,359)	(43)	(606)	(265)
(323)	(535)	(12,721)	(773)	(398)	(59)	-
-	-	-	-	-	-	-
(4,755)	(2,404)	(1,731)	(9,404)	(902)	(758)	(199)
-	-	-	-	(41,670)	-	-
37	-	-	-	-	-	44
(470)	(24)	(1)	-	-	(26)	(26)
992	2,219	13,379	(1,699)	1,422	61	94
171	-	-	-	-	-	-
-	(952)	-	-	(1,971)	(30)	-
-	-	-	-	-	-	-
-	-	(6,674)	-	-	-	(70)
171	(952)	(6,674)	-	(1,971)	(30)	(70)
(203)	-	(414)	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(385)	-	-
(203)	-	(414)	-	(385)	-	-
-	-	-	289	487	13	-
-	-	-	289	487	13	-
960	1,267	6,291	(1,410)	(447)	44	24
6,361	4,144	8,900	8,651	21,005	435	180
\$ 7,321	\$ 5,411	\$ 15,191	\$ 7,241	\$ 20,558	\$ 479	\$ 204
7,321	5,411	15,191	7,660	21,750	474	204
-	-	-	-	-	5	-
-	-	-	(419)	(1,192)	-	-
\$ 7,321	\$ 5,411	\$ 15,191	\$ 7,241	\$ 20,558	\$ 479	\$ 204

Continued on next page

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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	Total
Cash Flows from Operating Activities			
Receipts for Sales and Services	\$ 513	\$ 319	\$ 880,427
Internal Activity-Receipts from Other Funds	-	-	17,445
Internal Activity-Payments to Other Funds	-	-	(4,252)
Payments to Suppliers for Goods and Services	(472)	(200)	(379,709)
Payments for Contractual Services	-	(23)	(51,909)
Payments for Prizes, Claims, and Loss Control	-	-	(185,728)
Payments to Employees	-	(145)	(99,545)
Payments to Providers for Non-recurring Cost Estimates	-	-	(41,670)
Other Operating Revenue	-	-	8,124
Other Operating Expense	-	(10)	(557)
Net Cash Provided by (Used for) Operating Activities	41	(59)	142,626
Cash Flows from Noncapital Financing Activities			
Transfers In From Other Funds	-	59	269
Transfers Out to Other Funds	(8)	-	(266,140)
Other Noncapital Financing Receipt Activities	-	-	181,393
Other Noncapital Financing Disbursement Activities	-	-	(35,367)
Net Cash Provided by (Used for) Noncapital Financing Activities	(8)	59	(119,845)
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	-	-	(1,236)
Payment of Principal and Interest on Bonds and Notes	-	-	(1,024)
Proceeds from Sale of Capital Assets	-	-	11
Other Capital and Related Financing Activities	-	-	(385)
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	(2,634)
Cash Flows from Investing Activities			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	6,438
Net Cash Provided by (Used for) Investing Activities	-	-	6,438
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash Equivalents	33	-	26,585
Cash and Cash Equivalents, July 1	472	-	151,174
Cash and Cash Equivalents, June 30	\$ 505	\$ -	\$ 177,759
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 505	\$ -	\$ 186,197
Cash and Travel Advances	-	-	165
Less:			
Securities Lending Cash Equivalents	-	-	(8,603)
Cash and Cash Equivalents per the Statement of Cash Flows	\$ 505	\$ -	\$ 177,759

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ 111,486	\$ (293)	\$ 9,867
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization	8,341	-	-
Other Expenses	-	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	2,158	(8)	529
(Increase) Decrease in Due From Other Funds	(9)	-	-
(Increase) Decrease in Other Assets	-	-	-
(Increase) Decrease in Inventory	(1,300)	-	-
(Increase) Decrease in Prepaid Items	(343)	(71)	-
Increase (Decrease) in Accounts Payable	(10,077)	(3)	554
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	1	-	-
Increase (Decrease) in Due to Component Units	-	-	-
Increase (Decrease) in Unearned Revenue	(81)	349	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	(312)	2,662
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	858	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	151	(4)	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	1,678	43	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 112,005</u>	<u>\$ 559</u>	<u>\$ 13,612</u>

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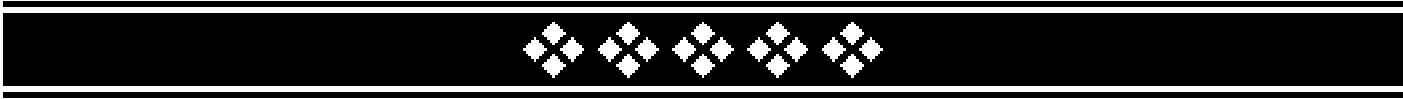
Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (789)	\$ 2,225	\$ 8,168
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization	149	200	77
Other Expenses	-	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(96)	(59)	(1,711)
(Increase) Decrease in Due From Other Funds	-	(185)	1,771
(Increase) Decrease in Other Assets	1,219	-	-
(Increase) Decrease in Inventory	384	(6)	-
(Increase) Decrease in Prepaid Items	-	-	-
Increase (Decrease) in Accounts Payable	28	23	2,452
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	7	35	182
Increase (Decrease) in Due to Component Units	-	-	2,373
Increase (Decrease) in Unearned Revenue	-	(54)	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(4)	(18)	8
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	94	58	59
Net Cash Provided by (Used for) Operating Activities	<u>\$ 992</u>	<u>\$ 2,219</u>	<u>\$ 13,379</u>

Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds	Library of Virginia	Total
\$ (1,780)	\$ 1,001	\$ (6)	\$ 90	\$ 41	\$ 52	\$ 130,062
-	-	-	4	-	-	8,771
-	-	-	-	-	1	1
-	(2,262)	60	1	-	(6)	(1,394)
-	-	-	-	-	-	1,577
-	-	-	5	-	-	1,224
-	-	16	(13)	-	(86)	(1,005)
-	-	-	-	-	-	(414)
(6)	4,921	(28)	2	-	(19)	(2,153)
-	(2,451)	-	-	-	-	(2,451)
(226)	9	-	-	-	-	8
-	-	-	-	-	-	2,373
-	-	-	-	-	-	214
-	-	1	-	-	-	1
-	-	-	-	-	-	2,350
-	-	-	-	-	-	858
25	6	-	-	-	(2)	162
288	198	18	5	-	1	2,442
<u>\$ (1,699)</u>	<u>\$ 1,422</u>	<u>\$ 61</u>	<u>\$ 94</u>	<u>\$ 41</u>	<u>\$ (59)</u>	<u>\$ 142,626</u>



Internal Service Funds

Internal Service Funds

Internal Service Funds account for the operations of state agencies that render services to other state agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.

Virginia Information Technologies Agency accounts for the installation and maintenance of the state government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

Virginia Correctional Enterprises accounts for the manufacturing activities of the state's correctional facilities.

Health Care accounts for the health insurance programs provided to state employees and for retirees who are not yet eligible to participate in Medicare.

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

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

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

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

Combining Statement of Net Assets – Internal Service Funds

June 30, 2008

(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 18,121	\$ 7,678	\$ 290,334
Investments	-	-	59,888
Receivables, Net	4,006	1,967	29,645
Due From Other Funds	13,430	1,841	21,991
Inventory	-	12,291	-
Prepaid Items	58	-	-
Other Assets	6,475	3	-
Total Current Assets	42,090	23,780	401,858
Noncurrent Assets:			
Nondepreciable Capital Assets	-	716	-
Depreciable Capital Assets, Net	10,241	6,970	-
Total Noncurrent Assets	10,241	7,686	-
Total Assets	52,331	31,466	401,858
Liabilities			
Current Liabilities:			
Accounts Payable	23,924	1,192	27,122
Amounts Due to Other Governments	-	-	-
Due to Other Funds	227	78	-
Interfund Payable	-	-	-
Unearned Revenue	13,147	623	-
Obligations Under Securities Lending Program	-	-	75,786
Other Liabilities	-	-	-
Claims Payable Due Within One Year	-	-	97,631
Long-term Liabilities Due within One Year	1,681	4	-
Total Current Liabilities	38,979	1,897	200,539
Noncurrent Liabilities:			
Interfund Payable	-	-	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	8,089	2,706	-
Total Noncurrent Liabilities	8,089	2,706	-
Total Liabilities	47,068	4,603	200,539
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,095	7,686	-
Unrestricted	(4,832)	19,177	201,319
Total Net Assets (Deficit)	\$ 5,263	\$ 26,863	\$ 201,319

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 2,671	\$ 13,723	\$ 127,313	\$ 4,637	\$ 464,477
-	-	24,942	-	84,830
361	37	570	1,403	37,989
1,711	1,193	-	1,297	41,463
24	306	-	3,879	16,500
-	-	-	500	558
-	-	100	-	6,578
4,767	15,259	152,925	11,716	652,395
-	-	-	150	866
27,348	603	-	9,445	54,607
27,348	603	-	9,595	55,473
32,115	15,862	152,925	21,311	707,868
1,233	1,962	1,074	1,484	57,991
-	666	-	-	666
118	254	-	202	879
-	206	-	732	938
24	10,703	40,627	24	65,148
-	-	31,563	-	107,349
-	294	5,397	-	5,691
-	-	58,400	-	156,031
989	503	42	399	3,618
2,364	14,588	137,103	2,841	398,311
-	5,059	-	5,590	10,649
-	-	317,134	-	317,134
2,179	2,110	267	1,494	16,845
2,179	7,169	317,401	7,084	344,628
4,543	21,757	454,504	9,925	742,939
24,430	603	-	9,595	52,409
3,142	(6,498)	(301,579)	1,791	(87,480)
\$ 27,572	\$ (5,895)	\$ (301,579)	\$ 11,386	\$ (35,071)

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

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Operating Revenues			
Charges for Sales and Services	\$ 259,793	\$ 48,679	\$ 971,304
Other	-	-	583
Total Operating Revenues	259,793	48,679	971,887
Operating Expenses			
Cost of Sales and Services	-	36,090	-
Prizes and Claims	-	-	848,667
Personal Services	32,461	4,667	-
Contractual Services	223,969	3,217	70,313
Supplies and Materials	613	508	-
Depreciation and Amortization	10,962	703	-
Rent, Insurance, and Other Related Charges	7,195	1,210	-
Interest Expense	-	-	-
Other	4,013	373	-
Total Operating Expenses	279,213	46,768	918,980
Operating Income (Loss)	(19,420)	1,911	52,907
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	-	-	13,770
Other	2,165	619	(2,549)
Total Nonoperating Revenues (Expenses)	2,165	619	11,221
Income (Loss) Before Transfers	(17,255)	2,530	64,128
Transfers In	-	-	-
Transfers Out	(82)	(887)	-
Change in Net Assets	(17,337)	1,643	64,128
Total Net Assets (Deficit), July 1	22,600	25,220	137,191
Total Net Assets (Deficit), June 30	\$ 5,263	\$ 26,863	\$ 201,319

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 17,286	\$ 48,978	\$ 86,306	\$ 41,468	\$ 1,473,814
-	-	-	-	583
17,286	48,978	86,306	41,468	1,474,397
-	-	-	27,907	63,997
-	-	154,764	-	1,003,431
938	9,801	1,398	7,287	56,552
2,654	12,266	8,726	3,154	324,299
5,048	4,272	6	783	11,230
5,151	135	-	800	17,751
851	19,138	1,189	1,333	30,916
-	256	-	230	486
293	4,037	5,105	92	13,913
14,935	49,905	171,188	41,586	1,522,575
2,351	(927)	(84,882)	(118)	(48,178)
-	-	-	-	-
-	-	6,762	101	20,633
(844)	24	(1,349)	(2)	(1,936)
(844)	24	5,413	99	18,697
-	-	-	-	-
1,507	(903)	(79,469)	(19)	(29,481)
-	369	-	311	680
-	-	-	-	(969)
1,507	(534)	(79,469)	292	(29,770)
26,065	(5,361)	(222,110)	11,094	(5,301)
\$ 27,572	\$ (5,895)	\$ (301,579)	\$ 11,386	\$ (35,071)

Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Cash Flows from Operating Activities			
Receipts for Sales and Services	\$ 15,704	\$ 19,969	\$ 967,752
Internal Activity-Receipts from Other Funds	246,628	28,708	-
Internal Activity-Payments to Other Funds	(1,385)	(1,096)	-
Payments to Suppliers for Goods and Services	(10,664)	(35,431)	-
Payments for Contractual Services	(222,558)	(3,047)	(70,295)
Payments for Prizes, Claims, and Loss Control	-	-	(856,451)
Payments to Employees	(31,481)	(4,328)	-
Other Operating Revenue	-	-	583
Other Operating Expense	(182)	(617)	-
Net Cash Provided by (Used for) Operating Activities	(3,938)	4,158	41,589
Cash Flows from Noncapital Financing Activities			
Transfers In From Other Funds	-	-	-
Transfers Out to Other Funds	(82)	(887)	-
Other Noncapital Financing Receipt Activities	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(82)	(887)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,280)	(2,583)	-
Payment of Principal and Interest on Bonds and Notes	(316)	(381)	-
Proceeds from Sale of Capital Assets	-	9	-
Other Capital and Related Financing Receipt Activities	-	-	-
Other Capital and Related Financing Disbursement Activities	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(1,596)	(2,955)	-
Cash Flows from Investing Activities			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	11,221
Net Cash Provided by (Used for) Investing Activities	-	-	11,221
Net Increase (Decrease) in Cash and Cash Equivalents	(5,616)	316	52,810
Cash and Cash Equivalents, July 1	23,745	7,365	221,626
Cash and Cash Equivalents, June 30	\$ 18,129	\$ 7,681	\$ 274,436
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 18,121	\$ 7,678	\$ 290,334
Cash and Travel Advances	8	3	-
Less:			
Securities Lending Cash Equivalents	-	-	(15,898)
Cash and Cash Equivalents per the Statement of Cash Flows	\$ 18,129	\$ 7,681	\$ 274,436

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 2,721	\$ 2,442	\$ 37,312	\$ 11,686	\$ 1,057,586
14,999	46,850	54,175	29,550	420,910
(2,991)	(2,778)	-	(2,381)	(10,631)
(3,621)	(23,298)	(6)	(29,870)	(102,890)
(1,689)	(11,808)	(8,702)	(2,317)	(320,416)
-	-	(60,532)	-	(916,983)
(882)	(9,405)	(1,338)	(6,904)	(54,338)
-	-	-	-	583
(271)	(1,711)	(6,293)	-	(9,074)
8,266	292	14,616	(236)	64,747
-	-	-	-	-
-	369	-	311	680
-	-	-	-	(969)
-	194	-	32	226
-	563	-	343	(63)
-	-	-	-	-
(6,378)	(449)	-	(661)	(11,351)
(896)	(1)	-	-	(1,594)
780	-	-	1	790
-	24	-	-	24
-	-	-	(632)	(632)
(6,494)	(426)	-	(1,292)	(12,763)
-	-	-	-	-
-	-	5,413	-	16,634
-	-	5,413	-	16,634
1,772	429	20,029	(1,185)	68,555
899	13,294	100,763	5,822	373,514
\$ 2,671	\$ 13,723	\$ 120,792	\$ 4,637	\$ 442,069
-	-	-	-	-
\$ 2,671	\$ 13,723	\$ 127,313	\$ 4,637	\$ 464,477
-	-	100	-	111
-	-	(6,621)	-	(22,519)
\$ 2,671	\$ 13,723	\$ 120,792	\$ 4,637	\$ 442,069

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (19,420)	\$ 1,911	\$ 52,907
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization	10,962	703	-
Miscellaneous Nonoperating Income	-	727	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(819)	500	(16,167)
(Increase) Decrease in Due From Other Funds	(170)	674	(2,005)
(Increase) Decrease in Other Assets	4,790	-	-
(Increase) Decrease in Inventory	-	1,914	-
(Increase) Decrease in Prepaid Items	310	-	-
Increase (Decrease) in Accounts Payable	673	(329)	(41)
Increase (Decrease) in Amounts Due to Other Governments	(182)	(506)	-
Increase (Decrease) in Due to Other Funds	147	22	-
Increase (Decrease) in Interfund Payable	-	-	-
Increase (Decrease) in Unearned Revenue	(1,216)	(1,813)	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	6,895
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(201)	(33)	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	1,188	388	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (3,938)</u>	<u>\$ 4,158</u>	<u>\$ 41,589</u>
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the statement of net assets date:			
Trade-ins of Used Equipment on New Equipment	-	23	-
Capital Asset Addition Included in Accounts Payable	209	-	-
Other	-	135	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 209</u>	<u>\$ 158</u>	<u>\$ -</u>

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Total</u>
\$ 2,351	\$ (927)	\$ (84,882)	\$ (118)	\$ (48,178)
5,151	135	-	800	17,751
-	-	-	-	727
172	119	(336)	75	(16,456)
404	(292)	-	(102)	(1,491)
-	-	-	-	4,790
135	-	-	(220)	1,829
-	-	-	(500)	(190)
77	398	(144)	(509)	125
(166)	(195)	-	-	(1,049)
78	(186)	-	28	89
-	(143)	-	-	(143)
23	998	5,518	(42)	3,468
-	-	378	-	378
-	-	7,033	-	13,928
-	-	87,012	-	87,012
13	3	(12)	45	(185)
28	382	49	307	2,342
<u>\$ 8,266</u>	<u>\$ 292</u>	<u>\$ 14,616</u>	<u>\$ (236)</u>	<u>\$ 64,747</u>
-	-	-	-	23
774	-	-	-	983
-	-	-	-	135
<u>\$ 774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,141</u>

Fiduciary Funds

Private Purpose Funds

Private Purpose Funds are trust arrangements that benefit individuals, private organizations, or other governments.

Unclaimed Property accounts for unclaimed and escheat property that the state holds for its rightful owner.

Education Savings Trust Funds account for the activities of the Virginia Education Savings Trust, College America, and College Wealth programs which are voluntary, non-guaranteed, higher educational investment programs offered by the Virginia College Savings Plan.

Loan Servicing Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

Edvantage Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

Virginia Revolving Farm Loan Program accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

Miscellaneous Trust Funds account for perpetual trusts created through donations to the state. Earnings are used for the benefit of donor-specified local entities.

Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.

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

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

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

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

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

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

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

Other Post-Employment Retiree Health Insurance Credit Fund accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

Other Employment Group Life Fund provides life insurance coverage to members of the retirement systems.

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

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

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

Investment Trust Fund

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

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

Agency Funds

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

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

Employee Benefits Fund accounts for undistributed withholdings for employee benefits.

Contractor Deposit Fund accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, and from motor fuel retailers to ensure performance meets regulatory standards.

Deposits of Insurance Carriers Fund accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

Inmate and Ward Fund accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

Child Support Collections Fund accounts for court-ordered child support payments that flow through the Department of Social Services.

Mental Health Patient Fund accounts for the savings of patients in the Commonwealth's mental health facilities.

Mental Health Non-patient Fund accounts for the savings of non-patients in the Commonwealth's mental health facilities.

Comptroller's Debt Setoff Fund accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

Unclaimed Property of Other States Fund accounts for unclaimed property that is due to other states.

Legal Settlement Fund accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

Consumer Services Fund accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund.

State Asset Forfeiture Fund accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

Aviation Fund accounts for funds held in lieu of insurance for pilot licensure.

Virginia School for the Deaf and the Blind Fund accounts for student funds used to establish new activities for students.

Woodrow Wilson Rehabilitation Center Fund accounts for student funds held by the center.

Dog and Cat Sterilization Fund accounts for the collections from individual vehicle registrations designated for dog and cat sterilization programs within the locality of residence.

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

Department of Environmental Quality accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

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

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

Combining Statement of Fiduciary Net Assets – Private Purpose Funds

June 30, 2008

(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Funds	Loan Servicing Reserve
Assets			
Cash and Cash Equivalents	\$ 1,386	\$ 8,631	\$ 533
Investments:			
Bonds and Mortgage Securities	2	-	-
Stocks	78,214	60,581	-
Index and Pooled Funds	-	295,844	-
Mutual and Money Market Funds	61,365	25,414,329	-
Other	34	144,823	-
Total Investments	139,615	25,915,577	-
Receivables, Net:			
Loans	-	-	-
Interest and Dividends	-	1,157	-
Total Receivables	-	1,157	-
Prepaid Items	201	-	-
Total Assets	141,202	25,925,365	533
Liabilities			
Accounts Payable and Accrued Expenses	126	1,877	-
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	114	-
Compensated Absences Payable	197	-	-
Pension Liability	426	-	-
Other Post Employment Benefits Liability	42	-	-
Total Liabilities	791	1,991	-
Net Assets Held in Trust for Participants	\$ 140,411	\$ 25,923,374	\$ 533

Edvantage Reserve	Virginia Revolving Farm Loan Program	Miscellaneous Trust	Total
\$ 871	\$ 6,172	\$ 36	\$ 17,629
-	-	-	2
-	-	-	138,795
-	-	-	295,844
-	-	-	25,475,694
180	1,273	30	146,340
180	1,273	30	26,056,675
-	62	-	62
-	-	-	1,157
-	62	-	1,219
-	-	-	201
1,051	7,507	66	26,075,724
-	4	-	2,007
227	1,611	-	1,838
-	-	-	114
-	2	-	199
-	12	-	438
-	1	-	43
227	1,630	-	4,639
\$ 824	\$ 5,877	\$ 66	\$ 26,071,085

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

For the Fiscal Year June 30, 2008
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Funds	Loan Servicing Reserve
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ -	\$ (1,975,798)	\$ -
Total Investment Income	-	(1,975,798)	-
Less Investment Expenses	-	19,923	-
Net Investment Income	-	(1,995,721)	-
Proceeds from Unclaimed Property	2,364	-	-
Contributions:			
Participants	-	6,163,793	-
Total Contributions	-	6,163,793	-
Other Revenue	-	344	-
Total Additions	2,364	4,168,416	-
Deductions:			
Loan Servicing Payments	-	-	-
Educational Expense Benefits	-	993,893	-
Insurance Premiums and Claims	17,657	-	-
Trust Payments	-	-	-
Administrative Expenses	3,864	24,858	-
Shares Redeemed	-	1,270,118	-
Total Deductions	21,521	2,288,869	-
Net Increase	(19,157)	1,879,547	-
Net Assets Held in Trust for Participants			
July 1	159,568	24,043,827	533
June 30	\$ 140,411	\$ 25,923,374	\$ 533

Edvantage Reserve	Virginia Revolving Farm Loan Program	Miscellaneous Trust	Total
\$ 29	\$ 363	\$ 3	\$ (1,975,403)
29	363	3	(1,975,403)
-	-	-	19,923
29	363	3	(1,995,326)
-	-	-	2,364
-	-	-	6,163,793
-	-	-	6,163,793
-	-	-	344
29	363	3	4,171,175
3	80	-	83
-	-	-	993,893
-	-	-	17,657
-	-	3	3
7	73	-	28,802
-	-	-	1,270,118
10	153	3	2,310,556
19	210	-	1,860,619
805	5,667	66	24,210,466
\$ 824	\$ 5,877	\$ 66	\$ 26,071,085

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

June 30, 2008

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
Assets			
Cash and Cash Equivalents	\$ 346,168	\$ 4,304	\$ 2,484
Investments:			
Bonds and Mortgage Securities	14,967,663	184,541	106,504
Stocks	17,765,139	219,033	126,409
Fixed Income Commingled Funds	1,780,602	21,954	12,669
Index and Pooled Funds	11,209,711	138,208	79,764
Real Estate	2,689,877	33,164	19,140
Private Equity	4,158,853	51,276	29,593
Short-term Investments	216,560	2,670	1,541
Other	3,216,975	39,663	22,891
Total Investments	56,005,380	690,509	398,511
Receivables, Net:			
Contributions	160,514	1,126	1,060
Interest and Dividends	158,819	1,958	1,130
Security Transactions	2,846,342	35,093	20,253
Other Receivables	35,463	414	239
Total Receivables	3,201,138	38,591	22,682
Furniture and Equipment	6,798	-	-
Total Assets	59,559,484	733,404	423,677
Liabilities			
Accounts Payable and Accrued Expenses	61,736	735	424
Obligations Under Securities Lending Program	3,222,995	39,736	22,933
Other Liabilities	33,652	395	228
Retirement Benefits Payable	187,472	3,074	2,367
Refunds Payable	5,315	-	-
Compensated Absences Payable	1,709	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	4,303,128	53,055	30,619
Pension Liability	3,627	44	26
OPEB Liability	345	4	2
Total Liabilities	7,819,979	97,043	56,599
Net Assets Held in Trust for Pension/Other Employment			
Benefits, Pool Participants and Other Purposes	\$ 51,739,505	\$ 636,361	\$ 367,078

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Post-Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Post-Employment Disability Insurance Trust Fund
\$ 5,751	\$ -	\$ -	\$ -	\$ 1,687	\$ 6,481	\$ 2,086
246,602	1,472	39	51	72,336	277,882	89,438
292,692	2,892	24	-	85,856	329,818	106,154
29,337	-	-	-	8,605	33,058	10,640
184,687	916	-	3	54,175	208,114	66,982
44,317	-	-	-	13,000	49,939	16,073
68,520	-	-	-	20,099	77,211	24,851
3,567	-	-	-	1,047	4,020	1,294
53,002	-	-	-	15,547	59,725	19,223
922,724	5,280	63	54	270,665	1,039,767	334,655
3,278	-	-	-	10,225	11,671	3,291
2,617	-	-	-	768	2,948	949
46,896	-	-	-	13,756	52,844	17,008
553	-	-	-	173	624	3,501
53,344	-	-	-	24,922	68,087	24,749
-	-	-	-	-	-	-
981,819	5,280	63	54	297,274	1,114,335	361,490
983	-	-	-	9,108	1,107	2,795
53,099	-	-	-	15,574	59,837	19,258
528	-	-	-	155	595	191
3,507	-	-	-	-	-	-
166	-	-	-	7	59	12
-	-	-	-	-	-	-
-	-	-	-	-	35,701	-
70,897	-	-	-	20,796	79,890	25,713
40	-	-	-	60	114	125
5	-	-	-	6	10	21
129,225	-	-	-	45,706	177,313	48,115
\$ 852,594	\$ 5,280	\$ 63	\$ 54	\$ 251,568	\$ 937,022	\$ 313,375

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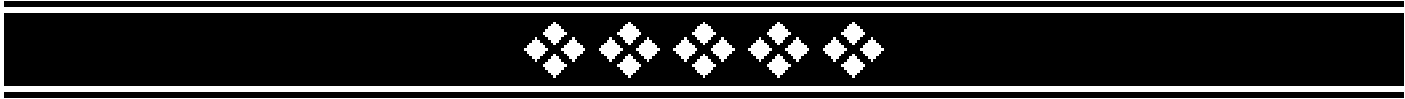
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

(Continued from previous page)

June 30, 2008

(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Post-Employment Line of Duty Death and Disability	Total
Assets			
Cash and Cash Equivalents	\$ -	\$ 3,030	\$ 371,991
Investments:			
Bonds and Mortgage Securities	-	-	15,946,528
Stocks	-	-	18,928,017
Fixed Income Commingled Funds	-	-	1,896,865
Index and Pooled Funds	-	-	11,942,560
Real Estate	-	-	2,865,510
Private Equity	-	-	4,430,403
Short-term Investments	-	-	230,699
Other	1,415	-	3,428,441
Total Investments	1,415	-	59,669,023
Receivables, Net:			
Contributions	-	-	191,165
Interest and Dividends	-	-	169,189
Security Transactions	-	-	3,032,192
Other Receivables	-	-	40,967
Total Receivables	-	-	3,433,513
Furniture and Equipment	-	-	6,798
Total Assets	1,415	3,030	63,481,325
Liabilities			
Accounts Payable and Accrued Expenses	-	-	76,888
Obligations Under Securities Lending Program	-	-	3,433,432
Other Liabilities	-	-	35,744
Retirement Benefits Payable	-	-	196,420
Refunds Payable	-	-	5,559
Compensated Absences Payable	-	-	1,709
Insurance Premiums and Claims Payable	-	-	35,701
Payable for Security Transactions	-	-	4,584,098
Pension Liability	-	-	4,036
OPEB Liability	-	-	393
Total Liabilities	-	-	8,373,980
Net Assets Held in Trust for Pension/Other Employment			
Benefits, Pool Participants and Other Purposes	\$ 1,415	\$ 3,030	\$ 55,107,345



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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
Additions:			
Investment Income	\$ (2,246,398)	\$ (27,996)	\$ (16,198)
Total Investment Income	(2,246,398)	(27,996)	(16,198)
Less Investment Expenses	430,960	5,371	3,107
Net Investment Income	(2,677,358)	(33,367)	(19,305)
Contributions:			
Member	741,640	5,210	2,966
Employer	1,280,773	21,008	22,532
Total Contributions	2,022,413	26,218	25,498
Other Revenue	290	-	-
Total Additions	(654,655)	(7,149)	6,193
Deductions:			
Retirement Benefits	2,427,543	39,382	28,538
Refunds to Former Members	97,574	730	45
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	-	-
Administrative Expenses	25,614	310	175
Other Expenses	4	-	-
Long-term Disability Benefits	-	-	-
Total Deductions	2,550,735	40,422	28,758
Transfers:			
Transfers In	-	20	-
Transfers Out	(294)	-	-
Total Transfers	(294)	20	-
Net Increase	(3,205,684)	(47,551)	(22,565)
Net Assets Held in Trust for Pension/Other Employment			
Benefits, Pool Participants and Other Purposes			
July 1	54,945,189	683,912	389,643
June 30	<u>\$ 51,739,505</u>	<u>\$ 636,361</u>	<u>\$ 367,078</u>

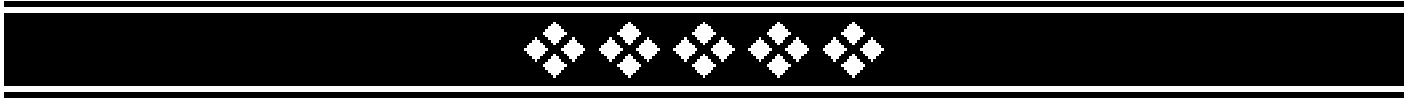
Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Post-Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Post-Employment Disability Insurance Trust Fund
\$ (37,144)	\$ (403)	\$ -	\$ -	\$ (10,449)	\$ (42,453)	\$ (14,093)
(37,144)	(403)	-	-	(10,449)	(42,453)	(14,093)
7,126	-	-	-	2,005	8,145	2,705
(44,270)	(403)	-	-	(12,454)	(50,598)	(16,798)
18,014	365	21	17	-	95,261	-
56,025	448	-	-	148,908	63,562	78,360
74,039	813	21	17	148,908	158,823	78,360
-	-	-	-	-	-	21,070
29,769	410	21	17	136,454	108,225	82,632
40,805	346	-	10	-	-	-
4,586	-	-	-	-	-	-
-	-	-	-	103,762	-	-
-	-	-	-	-	132,093	-
392	14	-	-	453	712	1,543
-	-	-	-	5,228	628	-
-	-	-	-	-	-	31,211
45,783	360	-	10	109,443	133,433	32,754
274	-	-	-	-	-	-
-	-	-	-	-	-	-
274	-	-	-	-	-	-
(15,740)	50	21	7	27,011	(25,208)	49,878
868,334	5,230	42	47	224,557	962,230	263,497
\$ 852,594	\$ 5,280	\$ 63	\$ 54	\$ 251,568	\$ 937,022	\$ 313,375

Continued on next page

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

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Post-Employment Line of Duty Death and Disability	Total
Additions:			
Investment Income	\$ (64)	\$ 20	\$ (2,395,178)
Total Investment Income	(64)	20	(2,395,178)
Less Investment Expenses	-	-	459,419
Net Investment Income	(64)	20	(2,854,597)
Contributions:			
Member	57	-	863,551
Employer	94	10,025	1,681,735
Total Contributions	151	10,025	2,545,286
Other Revenue	-	-	21,360
Total Additions	87	10,045	(287,951)
Deductions:			
Retirement Benefits	-	-	2,536,624
Refunds to Former Members	4	-	102,939
Retiree Health Insurance Credits	-	-	103,762
Insurance Premiums and Claims	-	7,015	139,108
Administrative Expenses	-	-	29,213
Other Expenses	-	-	5,860
Long-term Disability Benefits	-	-	31,211
Total Deductions	4	7,015	2,948,717
Transfers:			
Transfers In	-	-	294
Transfers Out	-	-	(294)
Total Transfers	-	-	-
Net Increase	83	3,030	(3,236,668)
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes			
July 1	1,332	-	58,344,013
June 30	\$ 1,415	\$ 3,030	\$ 55,107,345



Combining Statement of Fiduciary Net Assets – Investment Trust Funds

June 30, 2008

(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Assets		
Cash and Cash Equivalents	\$ 2,003,623	\$ 2,003,623
Investments:		
Bonds and Mortgage Securities	156,544	156,544
Short-term Investments	1,318,106	1,318,106
Total Investments	1,474,650	1,474,650
Receivables, Net:		
Interest and Dividends	11,157	11,157
Total Receivables	11,157	11,157
Total Assets	3,489,430	3,489,430
Liabilities		
Due to Internal Parties (Governmental Funds and Business-type Activities)	6	6
Total Liabilities	6	6
Net Assets Held in Trust for		
Pool Participants	\$ 3,489,424	\$ 3,489,424

Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Additions:		
Investment Income:		
Interest, Dividends, and Other		
Investment Income	\$ 115,938	\$ 115,938
Distributions to Shareholders from Net Investment Income	(115,938)	(115,938)
Total Investment Income	-	-
Net Investment Income	-	-
Shares Sold	5,391,865	5,391,865
Reinvested Distributions	115,672	115,672
Total Additions	5,507,537	5,507,537
Deductions:		
Shares Redeemed	(5,078,409)	(5,078,409)
Total Deductions	(5,078,409)	(5,078,409)
Net Increase	429,128	429,128
Net Assets Held in Trust for Pool Participants		
July 1	3,060,296	3,060,296
June 30	\$ 3,489,424	\$ 3,489,424

Combining Statement of Fiduciary Net Assets – Agency Funds

June 30, 2008

(Dollars in Thousands)

	Funds for the Collection of Taxes	Employee Benefits	Contractor Deposits
Assets			
Cash and Cash Equivalents	\$ 165,138	\$ 4,041	\$ 27,766
Investments:			
Short-term Investments	8,569	-	2,228
Other Investments	-	-	-
Total Investments	8,569	-	2,228
Receivables, Net:			
Accounts	163,551	-	-
Total Receivables	163,551	-	-
Due from Internal Parties (Governmental and Business-type Activities)	-	-	-
Total Assets	\$ 337,258	\$ 4,041	\$ 29,994
Liabilities			
Accounts Payable and Accrued Expenses	\$ -	\$ 4,041	\$ -
Amounts Due to Other Governments	326,414	-	-
Due to Internal Parties (Governmental and Business-type Activities)	-	-	-
Obligations Under Securities Lending Program	10,844	-	2,819
Other Liabilities	-	-	27,175
Insurance Premiums and Claims Payable	-	-	-
Total Liabilities	\$ 337,258	\$ 4,041	\$ 29,994

Deposits of Insurance Carriers	Inmate and Ward	Child Support Collection	Mental Health Patient	Mental Health Non- Patient	Comptroller's Debt Setoff	Unclaimed Property of Other States
\$ 31,957	\$ 8,359	\$ 15,024	\$ 2,601	\$ 24	\$ 603	\$ 15,883
73,663	-	-	-	-	-	-
312,488	-	-	135	-	-	-
386,151	-	-	135	-	-	-
16	413	-	-	-	-	-
16	413	-	-	-	-	-
-	-	-	-	-	-	-
\$ 418,124	\$ 8,772	\$ 15,024	\$ 2,736	\$ 24	\$ 603	\$ 15,883
\$ -	\$ 7,720	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	15,883
-	182	-	-	-	-	-
-	-	-	-	-	-	-
418,124	870	15,024	2,736	24	603	-
-	-	-	-	-	-	-
\$ 418,124	\$ 8,772	\$ 15,024	\$ 2,736	\$ 24	\$ 603	\$ 15,883

Continued on next page

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

June 30, 2008

(Dollars in Thousands)

	Legal Settlement	Consumer Services	State Asset Forfeiture
Assets			
Cash and Cash Equivalents	\$ 3,093	\$ 1,223	\$ 5,149
Investments:			
Short-term Investments	260	-	250
Other Investments	-	-	-
Total Investments	260	-	250
Receivables, Net:			
Accounts	-	-	-
Total Receivables	-	-	-
Due from Internal Parties (Governmental and Business-type Activities)	-	-	-
Total Assets	\$ 3,353	\$ 1,223	\$ 5,399
Liabilities			
Accounts Payable and Accrued Expenses	\$ -	\$ 3	\$ -
Amounts Due to Other Governments	-	-	-
Due to Internal Parties (Governmental and Business-type Activities)	-	-	-
Obligations Under Securities Lending Program	328	-	317
Other Liabilities	3,025	1,220	5,082
Insurance Premiums and Claims Payable	-	-	-
Total Liabilities	\$ 3,353	\$ 1,223	\$ 5,399

Aviation	Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Dog and Cat Sterilization	Third Party Administrator	Department of Environmental Quality	Virginia Veterans' Care Center Resident Fund
\$ 58	\$ 36	\$ 3	\$ 2	\$ 8,470	\$ 393	\$ 103
-	-	-	-	1,747	-	-
-	-	-	-	-	-	-
-	-	-	-	1,747	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 58	\$ 36	\$ 3	\$ 2	\$ 10,217	\$ 393	\$ 103
\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -
-	-	-	2	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,211	-	-
58	36	3	-	7,409	393	103
-	-	-	-	595	-	-
\$ 58	\$ 36	\$ 3	\$ 2	\$ 10,217	\$ 393	\$ 103

Continued on next page

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

June 30, 2008

(Dollars in Thousands)

	Virginia Individual Development Account Trust Fund	Total
Assets		
Cash and Cash Equivalents	\$ 332	\$ 290,258
Investments:		
Short-term Investments	-	86,717
Other Investments	-	312,623
Total Investments	-	399,340
Receivables, Net:		
Accounts	-	163,980
Total Receivables	-	163,980
Due from Internal Parties (Governmental and Business-type Activities)	-	-
Total Assets	\$ 332	\$ 853,578
Liabilities		
Accounts Payable and Accrued Expenses	\$ -	\$ 11,766
Amounts Due to Other Governments	-	342,299
Due to Internal Parties (Governmental and Business-type Activities)	-	182
Obligations Under Securities Lending Program	-	16,519
Other Liabilities	332	482,217
Insurance Premiums and Claims Payable	-	595
Total Liabilities	\$ 332	\$ 853,578

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

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Funds for the Collection of Taxes and Fees				
Assets:				
Cash and Cash Equivalents	\$ 167,319	\$ 1,902,366	\$ 1,904,547	\$ 165,138
Short-term Investments	8,471	8,569	8,471	8,569
Accounts Receivable	159,968	163,551	159,968	163,551
Total Assets	\$ 335,758	\$ 2,074,486	\$ 2,072,986	\$ 337,258
Liabilities:				
Amounts Due to Other Governments	\$ 325,137	\$ 2,063,642	\$ 2,062,365	\$ 326,414
Obligations Under Securities Lending Program	10,621	10,844	10,621	10,844
Total Liabilities	\$ 335,758	\$ 2,074,486	\$ 2,072,986	\$ 337,258
Employee Benefits				
Assets:				
Cash and Cash Equivalents	\$ 5,486	\$ 255,901	\$ 257,346	\$ 4,041
Total Assets	\$ 5,486	\$ 255,901	\$ 257,346	\$ 4,041
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 5,486	\$ 255,901	\$ 257,346	\$ 4,041
Total Liabilities	\$ 5,486	\$ 255,901	\$ 257,346	\$ 4,041
Contractors Deposit Fund				
Assets:				
Cash and Cash Equivalents	\$ 29,018	\$ 9,689	\$ 10,941	\$ 27,766
Short-term Investments	2,268	2,228	2,268	2,228
Total Assets	\$ 31,286	\$ 11,917	\$ 13,209	\$ 29,994
Liabilities:				
Obligations Under Securities Lending Program	\$ 2,844	\$ 2,819	\$ 2,844	\$ 2,819
Other Liabilities	28,442	9,098	10,365	27,175
Total Liabilities	\$ 31,286	\$ 11,917	\$ 13,209	\$ 29,994
Deposits of Insurance Carriers				
Assets:				
Cash and Cash Equivalents	\$ 19,088	\$ 51,299	\$ 38,430	\$ 31,957
Short-term Investments	79,110	73,663	79,110	73,663
Other Investments	305,452	65,034	57,998	312,488
Accounts Receivable	6	529	519	16
Total Assets	\$ 403,656	\$ 190,525	\$ 176,057	\$ 418,124
Liabilities:				
Other Liabilities	\$ 403,656	\$ 190,525	\$ 176,057	\$ 418,124
Total Liabilities	\$ 403,656	\$ 190,525	\$ 176,057	\$ 418,124
Inmate and Ward				
Assets:				
Cash and Cash Equivalents	\$ 7,314	\$ 1,178	\$ 133	\$ 8,359
Accounts Receivable	327	97	11	413
Total Assets	\$ 7,641	\$ 1,275	\$ 144	\$ 8,772
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 6,804	\$ 916	\$ -	\$ 7,720
Due to Internal Parties (Governmental and Business-type Activities)	74	108	-	182
Other Liabilities	763	251	144	870
Total Liabilities	\$ 7,641	\$ 1,275	\$ 144	\$ 8,772

Continued on next page

**Combining Statement of Changes in Assets and Liabilities –
Agency Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Child Support Collections				
Assets:				
Cash and Cash Equivalents	\$ 1,932	\$ 628,775	\$ 615,683	\$ 15,024
Due from Internal Parties (Governmental and Business-type Activities)	17,999	-	17,999	-
Total Assets	<u>\$ 19,931</u>	<u>\$ 628,775</u>	<u>\$ 633,682</u>	<u>\$ 15,024</u>
Liabilities:				
Other Liabilities	\$ 19,931	\$ 628,775	\$ 633,682	\$ 15,024
Total Liabilities	<u>\$ 19,931</u>	<u>\$ 628,775</u>	<u>\$ 633,682</u>	<u>\$ 15,024</u>
Mental Health Patient				
Assets:				
Cash and Cash Equivalents	\$ 2,452	\$ 3,995	\$ 3,846	\$ 2,601
Other Investments	132	3	-	135
Total Assets	<u>\$ 2,584</u>	<u>\$ 3,998</u>	<u>\$ 3,846</u>	<u>\$ 2,736</u>
Liabilities:				
Other Liabilities	\$ 2,584	\$ 3,998	\$ 3,846	\$ 2,736
Total Liabilities	<u>\$ 2,584</u>	<u>\$ 3,998</u>	<u>\$ 3,846</u>	<u>\$ 2,736</u>
Mental Health Non-Patient				
Assets:				
Cash and Cash Equivalents	\$ 23	\$ 3	\$ 2	\$ 24
Total Assets	<u>\$ 23</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 24</u>
Liabilities:				
Other Liabilities	\$ 23	\$ 3	\$ 2	\$ 24
Total Liabilities	<u>\$ 23</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 24</u>
Comptrollers Debt Setoff				
Assets:				
Cash and Cash Equivalents	\$ 970	\$ 18,250	\$ 18,617	\$ 603
Total Assets	<u>\$ 970</u>	<u>\$ 18,250</u>	<u>\$ 18,617</u>	<u>\$ 603</u>
Liabilities:				
Other Liabilities	\$ 970	\$ 18,250	\$ 18,617	\$ 603
Total Liabilities	<u>\$ 970</u>	<u>\$ 18,250</u>	<u>\$ 18,617</u>	<u>\$ 603</u>
Unclaimed Property of Other States				
Assets:				
Cash and Cash Equivalents	\$ 1,737	\$ 14,284	\$ 138	\$ 15,883
Total Assets	<u>\$ 1,737</u>	<u>\$ 14,284</u>	<u>\$ 138</u>	<u>\$ 15,883</u>
Liabilities:				
Amounts Due to Other Governments	\$ 1,737	\$ 14,284	\$ 138	\$ 15,883
Total Liabilities	<u>\$ 1,737</u>	<u>\$ 14,284</u>	<u>\$ 138</u>	<u>\$ 15,883</u>
Legal Settlement				
Assets:				
Cash and Cash Equivalents	\$ 1,061	\$ 2,697	\$ 665	\$ 3,093
Short-term Investments	60	260	60	260
Total Assets	<u>\$ 1,121</u>	<u>\$ 2,957</u>	<u>\$ 725</u>	<u>\$ 3,353</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 75	\$ 328	\$ 75	\$ 328
Other Liabilities	1,046	2,629	650	3,025
Total Liabilities	<u>\$ 1,121</u>	<u>\$ 2,957</u>	<u>\$ 725</u>	<u>\$ 3,353</u>

	Balance July 1	Additions	Deletions	Balance June 30
Consumer Services				
Assets:				
Cash and Cash Equivalents	\$ 1,035	\$ 308	\$ 120	\$ 1,223
Short-term Investments	2	-	2	-
Total Assets	<u>\$ 1,037</u>	<u>\$ 308</u>	<u>\$ 122</u>	<u>\$ 1,223</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 2	\$ 22	\$ 21	\$ 3
Obligations Under Securities Lending Program	3	-	3	-
Other Liabilities	1,032	286	98	1,220
Total Liabilities	<u>\$ 1,037</u>	<u>\$ 308</u>	<u>\$ 122</u>	<u>\$ 1,223</u>
State Asset Forfeiture Fund				
Assets:				
Cash and Cash Equivalents	\$ 4,274	\$ 7,588	\$ 6,713	\$ 5,149
Short-term Investments	216	250	216	250
Total Assets	<u>\$ 4,490</u>	<u>\$ 7,838</u>	<u>\$ 6,929</u>	<u>\$ 5,399</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 271	\$ 317	\$ 271	\$ 317
Other Liabilities	4,219	7,521	6,658	5,082
Total Liabilities	<u>\$ 4,490</u>	<u>\$ 7,838</u>	<u>\$ 6,929</u>	<u>\$ 5,399</u>
Aviation				
Assets:				
Cash and Cash Equivalents	\$ 113	\$ 5	\$ 60	\$ 58
Total Assets	<u>\$ 113</u>	<u>\$ 5</u>	<u>\$ 60</u>	<u>\$ 58</u>
Liabilities:				
Other Liabilities	\$ 113	\$ 5	\$ 60	\$ 58
Total Liabilities	<u>\$ 113</u>	<u>\$ 5</u>	<u>\$ 60</u>	<u>\$ 58</u>
Virginia School for the Deaf and Blind				
Assets:				
Cash and Cash Equivalents	\$ 29	\$ 20	\$ 13	\$ 36
Total Assets	<u>\$ 29</u>	<u>\$ 20</u>	<u>\$ 13</u>	<u>\$ 36</u>
Liabilities:				
Other Liabilities	\$ 29	\$ 20	\$ 13	\$ 36
Total Liabilities	<u>\$ 29</u>	<u>\$ 20</u>	<u>\$ 13</u>	<u>\$ 36</u>
Woodrow Wilson Rehabilitation Center				
Assets:				
Cash and Cash Equivalents	\$ 8	\$ 38	\$ 43	\$ 3
Total Assets	<u>\$ 8</u>	<u>\$ 38</u>	<u>\$ 43</u>	<u>\$ 3</u>
Liabilities:				
Other Liabilities	\$ 8	\$ 38	\$ 43	\$ 3
Total Liabilities	<u>\$ 8</u>	<u>\$ 38</u>	<u>\$ 43</u>	<u>\$ 3</u>

Continued on next page

**Combining Statement of Changes in Assets and Liabilities –
Agency Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Dog and Cat Sterilization				
Assets:				
Cash and Cash Equivalents	\$ 2	\$ -	\$ -	\$ 2
Total Assets	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
Liabilities:				
Amounts Due to Other Governments	\$ 2	\$ -	\$ -	\$ 2
Total Liabilities	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
Third Party Administrator				
Assets:				
Cash and Cash Equivalents	\$ 6,908	\$ 6,435	\$ 4,873	\$ 8,470
Short-term Investments	1,510	1,747	1,510	1,747
Total Assets	<u>\$ 8,418</u>	<u>\$ 8,182</u>	<u>\$ 6,383</u>	<u>\$ 10,217</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ -	\$ 2	\$ -	\$ 2
Obligations Under Securities Lending Program	1,893	2,211	1,893	2,211
Other Liabilities	6,134	5,765	4,490	7,409
Insurance Premiums and Claims Payable	391	204	-	595
Total Liabilities	<u>\$ 8,418</u>	<u>\$ 8,182</u>	<u>\$ 6,383</u>	<u>\$ 10,217</u>
Department of Environmental Quality				
Assets:				
Cash and Cash Equivalents	\$ 479	\$ -	\$ 86	\$ 393
Total Assets	<u>\$ 479</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 393</u>
Liabilities:				
Other Liabilities	\$ 479	\$ -	\$ 86	\$ 393
Total Liabilities	<u>\$ 479</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 393</u>
Virginia Veterans Care Center Resident Fund				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 103	\$ -	\$ 103
Total Assets	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 103</u>
Liabilities:				
Other Liabilities	\$ -	\$ 103	\$ -	\$ 103
Total Liabilities	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 103</u>

	Balance July 1	Additions	Deletions	Balance June 30
Virginia Individual Development Account Trust Fund				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 332	\$ -	\$ 332
Total Assets	<u>\$ -</u>	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 332</u>
Liabilities:				
Other Liabilities	\$ -	\$ 332	\$ -	\$ 332
Total Liabilities	<u>\$ -</u>	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 332</u>
Totals-Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 249,248	\$ 2,903,266	\$ 2,862,256	\$ 290,258
Short-term Investments	91,637	86,717	91,637	86,717
Other Investments	305,584	65,037	57,998	312,623
Accounts Receivable	160,301	164,177	160,498	163,980
Due from Internal Parties (Governmental Funds and Business-type Activities)	17,999	-	17,999	-
Total Assets	<u>\$ 824,769</u>	<u>\$ 3,219,197</u>	<u>\$ 3,190,388</u>	<u>\$ 853,578</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 12,292	\$ 256,841	\$ 257,367	\$ 11,766
Amounts Due to Other Governments	326,876	2,077,926	2,062,503	342,299
Due to Internal Parties (Governmental Funds and Business-type Activities)	74	108	-	182
Obligations Under Securities Lending Program	15,707	16,519	15,707	16,519
Other Liabilities	469,429	867,599	854,811	482,217
Insurance Premiums and Claims Payable	391	204	-	595
Total Liabilities	<u>\$ 824,769</u>	<u>\$ 3,219,197</u>	<u>\$ 3,190,388</u>	<u>\$ 853,578</u>

Nonmajor Component Units

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

The Virginia Economic Development Partnership works to enhance and increase the Commonwealth's commerce and trade.

The Virginia Outdoors Foundation promotes preservation and fund raising for the purchase of preservation land.

The Virginia Port Authority is empowered to maintain and operate Virginia's harbors and ports.

The Virginia Resources Authority provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

The Virginia Tourism Authority promotes tourism and film production industries of the Commonwealth.

The Virginia Tobacco Settlement Foundation determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

The Tobacco Indemnification and Community Revitalization Commission determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

The Hampton Roads Sanitation District Commission operates a sewage system for 17 localities in the Chesapeake Bay Area.

The Virginia Biotechnology Research Partnership Authority assists in the development of a biotechnology research park.

The Virginia Small Business Financing Authority assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

The Virginia Schools for the Deaf and Blind Foundation operates exclusively for the benefit of the Virginia Schools for the Deaf and Blind.

The Science Museum of Virginia Foundation operates to implement and fund projects and operations of the Science Museum of Virginia.

The Belmont Bay Science Center Foundation promotes programs, projects and operations to educate students.

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

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

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

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

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

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

Assistive Technology Loan Fund Authority provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

The Virginia National Defense Industrial Authority promotes business, technology, transportation, education, economic development and other efforts in support of the mission, execution, and transformation of the United States military and national defense activities located in the Commonwealth.

The Virginia Coalfield Coalition Authority builds a diverse, prosperous, self-reliant and globally competitive economy in Virginia's coalfield region.

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

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

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

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

Other Higher Education Institutions included in this section are:

- The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science
- Virginia Military Institute
- Virginia State University
- Norfolk State University
- University of Mary Washington
- James Madison University
- Radford University
- Old Dominion University
- George Mason University
- Virginia Community College System
- Christopher Newport University
- Longwood University
- Southwest Virginia Higher Education Center
- Roanoke Higher Education Authority
- Innovative Technology Authority
- Institute for Advanced Learning and Research
- Southern Virginia Higher Education Center
- Virginia College Building Authority
- New College Institute

Combining Statement of Net Assets – Nonmajor Component Units

June 30, 2008

(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
Assets				
Cash and Cash Equivalents	\$ 2,491	\$ 3,723	\$ 35,012	\$ 1,904
Investments	-	-	-	2,740
Receivables, Net	25	61	31,725	2,327,505
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	24,070	-
Due from Component Units	-	-	-	-
Inventory	-	-	14,372	-
Prepaid Items	418	12	13,860	9
Other Assets	31	-	11,633	25,078
Restricted Cash and Cash Equivalents	-	2,461	127,781	223,528
Restricted Investments	-	-	23,884	396,061
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	8,843	233,218	-
Depreciable Capital Assets, Net	523	177	557,704	6
Total Assets	3,488	15,277	1,073,259	2,976,831
Liabilities				
Accounts Payable	341	100	25,431	256
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	175	-	-	-
Unearned Revenue	43	-	-	768
Obligations Under Securities Lending Program	-	-	839	-
Other Liabilities	-	-	11,752	20,511
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	527	69	30,702	66,495
Due in More Than One Year	2,174	46	541,784	1,720,863
Total Liabilities	3,260	215	610,508	1,808,893
Net Assets				
Invested in Capital Assets, Net of Related Debt	523	9,020	315,717	6
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	6,466
Gifts and Grants	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	1,156,995
Debt Service	-	-	58,135	-
Other	-	1,100	-	-
Unrestricted	(295)	4,942	88,899	4,471
Total Net Assets	\$ 228	\$ 15,062	\$ 462,751	\$ 1,167,938

Virginia Tourism Authority	Virginia Tobacco Settlement Foundation	Tobacco Indemnification and Community Revitalization Commission	Hampton Roads Sanitation District Commission	Virginia Biotechnology Research Partnership Authority	Virginia Small Business Financing Authority	Virginia Schools for the Deaf and Blind Foundation	Science Museum of Virginia Foundation
\$ 2,690	\$ 10,713	\$ 167,493	\$ 34,506	\$ 989	\$ 857	\$ 237	\$ 612
-	2,210	466,339	46,158	610	1,325	3,248	1,241
-	-	136	29,015	48,903	14,926	-	3
-	-	-	-	-	-	-	488
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	7
-	-	-	-	-	-	-	-
866	5	5	-	5	-	-	4
1	5	9,982	2,409	271	-	-	-
-	-	7,887	129,227	-	14,601	-	2,537
-	-	348,480	-	-	-	-	10,301
-	-	-	-	-	-	-	-
811	-	-	129,939	5,280	-	-	1,200
795	-	6	411,163	16,866	-	-	626
5,163	12,933	1,000,328	782,417	72,924	31,709	3,485	17,019
238	79	68	25,793	330	46	-	24
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	252
-	-	-	-	-	-	-	-
210	-	-	-	247	-	-	-
-	2,796	966	-	-	1,677	-	-
-	551	10,103	6,105	259	3,777	-	-
-	-	-	-	-	-	-	-
278	36	7	16,969	4,127	-	-	-
1,083	258	174	351,123	55,743	47	-	51
1,809	3,720	11,318	399,990	60,706	5,547	-	327
1,606	-	6	301,760	10,734	-	-	1,826
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,795
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	24,994	-	-
-	-	356,367	-	-	-	-	-
-	-	-	7,377	-	-	-	-
-	-	-	-	-	-	-	7,228
1,748	9,213	632,637	73,290	1,484	1,168	3,485	1,843
\$ 3,354	\$ 9,213	\$ 989,010	\$ 382,427	\$ 12,218	\$ 26,162	\$ 3,485	\$ 16,692

Continued on next page

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

June 30, 2008

(Dollars in Thousands)

	Belmont Bay Science Center Foundation	Danville Science Center, Inc.	Virginia Museum of Fine Arts Foundation	A. L. Philpott Manufacturing Extension Partnership
Assets				
Cash and Cash Equivalents	\$ 759	\$ 531	\$ 2,564	\$ 1,690
Investments	-	353	7,454	-
Receivables, Net	-	5	-	795
Contributions Receivable, Net	48	25	27,654	-
Due from Primary Government	-	-	6,836	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	-	29	-	-
Other Assets	-	-	468	-
Restricted Cash and Cash Equivalents	-	21	42,667	-
Restricted Investments	-	242	163,781	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	-	54	-
Depreciable Capital Assets, Net	-	42	1,308	2
Total Assets	807	1,248	252,786	2,487
Liabilities				
Accounts Payable	-	2	127	297
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	7	-	-	-
Unearned Revenue	-	-	-	302
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	-	335	-
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	-	10,110	160
Due in More Than One Year	-	-	37,791	-
Total Liabilities	7	2	48,363	759
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	42	1,169	2
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	242	83,770	-
Expendable:				
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	48	76	87,421	-
Unrestricted	752	886	32,063	1,726
Total Net Assets	\$ 800	\$ 1,246	\$ 204,423	\$ 1,728

Virginia Horse Center Foundation	Virginia University Research Partnership	Fort Monroe Federal Area Development Authority	Assistive Technology Loan Fund Authority	Virginia National Defense Industrial Authority	Virginia Coalfield Coalition Authority	Virginia Land Conservation Foundation	Virginia Arts Foundation
\$ 295	\$ 6,008	\$ -	\$ 11,243	\$ -	\$ -	\$ 8,145	\$ 34
-	-	-	-	-	-	1,680	126
215	-	-	496	-	-	-	-
336	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	175	-	-	-
52	-	-	-	-	-	-	-
107	-	-	8	-	-	-	-
9	-	-	-	-	-	-	-
611	-	20	-	-	-	-	578
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,513	-	-	-	-	-	-	-
16,267	-	-	26	-	-	-	-
25,405	6,008	20	11,773	175	-	9,825	738
350	8	-	24	5	-	4	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
45	-	-	-	-	-	-	-
-	-	-	-	-	-	2,126	160
429	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
115	-	-	9	11	-	-	-
11,934	-	-	-	82	-	19	-
12,873	8	-	33	98	-	2,149	160
12,030	-	-	26	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	578
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	20	-	-	-	-	-
610	-	-	-	-	-	-	-
605	-	-	-	-	-	-	-
139	-	-	-	-	-	-	-
(852)	6,000	-	11,714	77	-	7,676	-
\$ 12,532	\$ 6,000	\$ 20	\$ 11,740	\$ 77	\$ -	\$ 7,676	\$ 578

Continued on next page

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

June 30, 2008

(Dollars in Thousands)

	Library of Virginia Foundation	College of William and Mary	Virginia Military Institute	Virginia State University
Assets				
Cash and Cash Equivalents	\$ 63	\$ 42,856	\$ 29,598	\$ 32,043
Investments	3,857	15,908	81,860	5,831
Receivables, Net	8	24,531	2,387	6,754
Contributions Receivable, Net	91	25,666	13,004	-
Due from Primary Government	-	16,507	5,171	18,575
Due from Component Units	-	124	3,563	891
Inventory	-	554	3,992	-
Prepaid Items	9	2,148	845	2,497
Other Assets	-	9,361	388	1,120
Restricted Cash and Cash Equivalents	92	74,475	3	39,491
Restricted Investments	211	459,604	259,931	20,269
Other Restricted Assets	-	100,879	5,444	-
Nondepreciable Capital Assets	-	176,653	62,822	44,508
Depreciable Capital Assets, Net	-	382,372	122,871	92,939
Total Assets	4,331	1,331,638	591,879	264,918
Liabilities				
Accounts Payable	17	38,231	12,611	7,190
Amounts Due to Other Governments	-	-	1,291	-
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	-	11,063	1,091	3,848
Obligations Under Securities Lending Program	-	122	1,714	6,634
Other Liabilities	-	10,385	2,018	4,819
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	14,239	2,584	3,642
Due in More Than One Year	-	227,078	68,187	99,399
Total Liabilities	17	301,118	89,496	125,532
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	391,139	170,702	82,463
Restricted For:				
Nonexpendable:				
Higher Education	-	364,627	105,661	8,779
Other	175	-	-	-
Expendable:				
Higher Education	-	236,801	193,888	31,672
Virginia Pooled Investment Program	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	129	-	-	-
Unrestricted	4,010	37,953	32,132	16,472
Total Net Assets	\$ 4,314	\$ 1,030,520	\$ 502,383	\$ 139,386

Norfolk State University	University of Mary Washington	James Madison University	Radford University	Old Dominion University	George Mason University	Virginia Community College System	Christopher Newport University
\$ 19,273	\$ 15,335	\$ 96,551	\$ 68,813	\$ 56,223	\$ 80,119	\$ 120,254	\$ 15,751
5,999	3,718	23,945	14,307	19,374	23,148	17,787	2,562
4,699	2,192	7,875	6,403	30,179	29,504	14,452	861
2,729	5,580	10,149	743	6,719	16,032	8,540	10,387
8,415	17,326	14,978	6,529	12,721	43,553	75,811	17,521
300	32	2,010	501	3,674	1,019	7,335	17
-	795	718	402	458	1,037	2,321	1,043
441	518	5,324	1,900	11,410	3,457	9,211	1,639
1,951	774	34	120	2,374	6,231	124	1,539
24,863	7,661	22,165	320	42,662	145,528	25,306	9,194
10,892	34,013	58,634	38,332	195,468	88,134	104,366	11,782
-	-	-	109	-	11,154	-	494
13,875	47,666	99,017	54,592	136,183	159,463	204,771	33,105
146,469	127,858	406,493	94,621	410,456	528,038	535,968	278,244
239,906	263,468	747,893	287,692	927,901	1,136,417	1,126,246	384,139
8,924	9,474	36,538	14,950	47,289	82,592	65,698	6,578
-	-	-	-	-	-	5,394	-
245	429	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,783	1,768	10,903	3,572	14,606	32,206	29,271	1,435
3,413	811	20,419	15,528	7,412	19,159	9,923	2,907
4,002	1,975	7,796	3,613	15,162	9,960	4,662	4,628
-	-	-	-	-	11,585	1,020	250
4,461	3,239	18,517	2,598	17,689	20,079	19,380	7,813
88,500	68,233	130,365	12,869	351,531	469,693	130,364	178,855
114,328	85,929	224,538	53,130	453,689	645,274	265,712	202,466
99,990	118,571	404,917	147,299	219,245	339,432	692,848	140,520
9,632	25,568	39,218	20,927	112,398	60,741	52,367	13,251
-	-	-	-	-	-	-	-
18,360	28,541	42,803	23,758	114,920	95,487	111,805	24,324
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(2,404)	4,859	36,417	42,578	27,649	(4,517)	3,514	3,578
\$ 125,578	\$ 177,539	\$ 523,355	\$ 234,562	\$ 474,212	\$ 491,143	\$ 860,534	\$ 181,673

Continued on next page

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

June 30, 2008

(Dollars in Thousands)

	Longwood University	Southwest Virginia Higher Education Center	Roanoke Higher Education Authority	Innovative Technology Authority
Assets				
Cash and Cash Equivalents	\$ 30,532	\$ -	\$ 1,242	\$ 5,119
Investments	10,009	-	-	1
Receivables, Net	3,053	1,561	4,621	330
Contributions Receivable, Net	4,963	-	-	-
Due from Primary Government	23,573	432	-	-
Due from Component Units	-	52	60	-
Inventory	689	-	-	-
Prepaid Items	1,044	-	-	37
Other Assets	1,563	-	19	113
Restricted Cash and Cash Equivalents	22,601	-	-	-
Restricted Investments	39,035	-	66	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	45,386	346	560	7,496
Depreciable Capital Assets, Net	159,812	8,864	19,223	16,461
Total Assets	342,260	11,255	25,791	29,557
Liabilities				
Accounts Payable	8,440	560	65	663
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	1,087	-	243	77
Obligations Under Securities Lending Program	7,954	-	-	1
Other Liabilities	5,474	-	1,437	1,095
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	4,277	84	66	992
Due in More Than One Year	114,273	238	24	5,415
Total Liabilities	141,505	882	1,835	8,243
Net Assets				
Invested in Capital Assets, Net of Related Debt	114,098	9,209	19,783	17,739
Restricted For:				
Nonexpendable:				
Higher Education	24,847	-	-	-
Other	-	-	-	-
Expendable:				
Higher Education	39,453	362	-	300
Virginia Pooled Investment Program	-	-	-	-
Gifts and Grants	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	-	-
Unrestricted	22,357	802	4,173	3,275
Total Net Assets	\$ 200,755	\$ 10,373	\$ 23,956	\$ 21,314

Institute for Advanced Learning and Research	Southern Virginia Higher Education Center	Virginia College Building Authority	New College Institute	Total Nonmajor Component Units
\$ 1,578	\$ 35	\$ 137	\$ 570	\$ 908,588
-	-	-	101	761,891
727	42	16,467	-	2,610,456
-	-	-	7	133,161
-	-	-	1	292,019
46	23	-	-	19,829
-	175	-	-	26,608
56	-	-	1	55,865
-	-	142	-	75,740
-	353	133,613	-	1,100,246
-	-	-	106	2,263,592
-	-	-	-	118,080
117	-	-	-	1,473,418
3,597	400	-	314	4,340,511
6,121	1,028	150,359	1,100	14,180,004
423	186	1	24	393,977
-	-	-	-	6,685
-	-	-	-	926
-	-	42,576	-	42,758
150	-	-	-	117,718
-	-	-	-	104,561
24	-	29,069	-	159,941
-	-	-	-	12,855
216	34	85,983	-	335,508
91	203	813,589	129	5,482,208
904	423	971,218	153	6,657,137
3,714	400	-	314	3,626,850
-	-	-	106	838,122
-	-	-	-	90,560
817	332	91,195	636	1,055,454
-	-	-	-	6,466
-	-	-	-	25,014
-	-	-	-	1,513,972
-	-	-	-	66,117
-	-	-	-	96,141
686	(127)	(912,054)	(109)	204,171
\$ 5,217	\$ 605	\$ (820,859)	\$ 947	\$ 7,522,867

Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Program Revenues				
		Charges for	Operating	Capital	Net (Expenses)
	Expenses	Services	Grants and	Grants and	Revenue
			Contributions	Contributions	
Higher Education					
College of William and Mary	\$ 384,157	\$ 158,138	\$ 38,582	\$ 34,895	\$ (152,542)
Virginia Military Institute	105,568	26,653	(3,676)	-	(82,591)
Virginia State University	118,213	42,387	24,503	2,595	(48,728)
Norfolk State University	142,443	53,067	27,969	11,688	(49,719)
University of Mary Washington	95,786	59,360	2,887	16,583	(16,956)
James Madison University	346,518	230,483	35,241	52,083	(28,711)
Radford University	151,816	79,435	10,795	7,057	(54,529)
Old Dominion University	356,064	160,976	69,457	27,516	(98,115)
George Mason University	559,373	274,522	116,989	28,554	(139,308)
Virginia Community College System	873,108	249,143	153,263	81,012	(389,690)
Christopher Newport University	113,011	69,407	9,517	4,760	(29,327)
Longwood University	106,761	52,557	11,528	8,479	(34,197)
Southwest Virginia Higher Education Center	6,634	914	3,693	355	(1,672)
Roanoke Higher Education Authority	3,261	2,210	103	-	(948)
Innovative Technology Authority	14,954	2,183	3,454	-	(9,317)
Institute for Advanced Learning and Research	12,561	305	4,931	-	(7,325)
Southern Virginia Higher Education Center	2,687	528	1,015	-	(1,144)
Virginia College Building Authority	232,362	58,334	-	-	(174,028)
New College Institute	2,381	-	1,833	-	(548)
Total Higher Education	3,627,658	1,520,602	512,084	275,577	(1,319,395)
Other Nonmajor Component Units					
Virginia Economic Development Partnership	19,537	730	-	-	(18,807)
Virginia Outdoors Foundation	3,532	861	1,026	-	(1,645)
Virginia Port Authority	274,982	260,183	-	32,213	17,414
Virginia Resources Authority	90,063	114,900	-	32,236	57,073
Virginia Tourism Authority	17,464	530	1,338	1,458	(14,138)
Virginia Tobacco Settlement Foundation	11,871	-	-	-	(11,871)
Tobacco Idemnification and Community					
Revitalization Commission	87,484	-	-	-	(87,484)
Hampton Roads Sanitation District Commission	136,939	140,545	-	-	3,606
Virginia Biotechnology Research Partnership Authority	5,976	6,182	-	-	206
Virginia Small Business Financing Authority	666	871	-	-	205
Virginia Schools for the Deaf and Blind Foundation	99	-	-	-	(99)
Science Museum of Virginia Foundation	2,236	-	(486)	-	(2,722)
Belmont Bay Science Center Foundation	254	-	-	-	(254)
Danville Science Center, Inc.	348	-	-	-	(348)
Virginia Museum of Fine Arts Foundation	38,302	-	(3,342)	-	(41,644)
A. L. Philpott Manufacturing Extension Partnership	4,763	2,543	1,535	-	(685)
Virginia Horse Center Foundation	4,961	3,191	1,264	1	(505)
Virginia University Research Partnership	6,008	-	-	-	(6,008)
Fort Monroe Federal Area Development Authority	773	-	44	-	(729)
Assistive Technology Loan Fund Authority	595	-	15	-	(580)
Virginia National Defense Industrial Authority	514	-	-	-	(514)
Virginia Coalfield Coalition Authority	7,357	-	-	-	(7,357)
Virginia Land Conservation Foundation	6,603	-	398	-	(6,205)
Virginia Arts Foundation	30	29	35	-	34
Library of Virginia Foundation	878	-	(8)	-	(886)
Total Other Nonmajor	722,235	530,565	1,819	65,908	(123,943)
Total Nonmajor Component Units	\$ 4,349,893	\$ 2,051,167	\$ 513,903	\$ 341,485	\$ (1,443,338)

General Revenues					
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Tobacco Master Settlement	Contributions to Permanent and Term Endowments
\$ 79,381	\$ 29,266	\$ 7,650	\$ 9,498	\$ -	\$ 11,353
14,563	273	(3,258)	247	-	4,444
41,735	1,972	1,330	395	-	1,232
51,894	1,235	(330)	1,223	-	303
24,472	1,531	(235)	1,196	-	1,814
88,215	1,008	(1,330)	2,439	-	3,088
56,699	226	4,552	1,230	-	843
127,093	194	16,770	231	-	3,538
152,501	260	6,826	1,151	-	4,096
420,369	6,867	8,728	9,469	-	9,376
31,764	2,193	(2,343)	848	-	937
30,929	817	(1,277)	299	-	456
2,019	-	-	5	-	-
1,248	-	259	-	-	-
7,444	-	265	-	-	-
5,911	-	28	39	-	-
1,436	77	-	-	-	-
112,479	-	5,099	-	-	-
1,229	20	15	-	-	116
1,251,381	45,939	42,749	28,270	-	41,596
16,851	-	205	42	-	-
2,250	49	228	-	-	-
36,037	-	6,071	-	-	-
-	-	-	-	-	-
15,277	-	189	-	-	-
-	-	411	-	12,672	-
-	-	38,090	249	-	-
-	-	4,655	-	-	-
-	-	23	142	-	-
79	-	668	-	-	-
-	121	391	-	-	-
-	1,126	(349)	6	-	2,193
190	161	15	-	-	-
-	221	1	-	-	172
-	3,587	266	345	-	12,443
483	-	-	-	-	-
-	-	26	29	-	-
12,000	-	8	-	-	-
749	-	-	-	-	-
-	-	481	-	-	-
485	-	-	-	-	-
-	-	-	-	-	-
3,000	-	448	-	-	-
-	-	-	32	-	-
-	406	(244)	-	-	196
87,401	5,671	51,583	845	12,672	15,004
\$ 1,338,782	\$ 51,610	\$ 94,332	\$ 29,115	\$ 12,672	\$ 56,600

Continued on next page

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

For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Changes in Net Assets	Net Assets (Deficit) July 1 as restated	Net Assets (Deficit) June 30
Higher Education			
College of William and Mary	\$ (15,394)	\$ 1,045,914	\$ 1,030,520
Virginia Military Institute	(66,322)	568,705	502,383
Virginia State University	(2,064)	141,450	139,386
Norfolk State University	4,606	120,972	125,578
University of Mary Washington	11,822	165,717	177,539
James Madison University	64,709	458,646	523,355
Radford University	9,021	225,541	234,562
Old Dominion University	49,711	424,501	474,212
George Mason University	25,526	465,617	491,143
Virginia Community College System	65,119	795,415	860,534
Christopher Newport University	4,072	177,601	181,673
Longwood University	(2,973)	203,728	200,755
Southwest Virginia Higher Education Center	352	10,021	10,373
Roanoke Higher Education Authority	559	23,397	23,956
Innovative Technology Authority	(1,608)	22,922	21,314
Institute for Advanced Learning and Research	(1,347)	6,564	5,217
Southern Virginia Higher Education Center	369	236	605
Virginia College Building Authority	(56,450)	(764,409)	(820,859)
New College Institute	832	115	947
Total Higher Education	90,540	4,092,653	4,183,193
Other Nonmajor Component Units			
Virginia Economic Development Partnership	(1,709)	1,937	228
Virginia Outdoors Foundation	882	14,180	15,062
Virginia Port Authority	59,522	403,229	462,751
Virginia Resources Authority	57,073	1,110,865	1,167,938
Virginia Tourism Authority	1,328	2,026	3,354
Virginia Tobacco Settlement Foundation	1,212	8,001	9,213
Tobacco Idemnification and Community			
Revitalization Commission	(49,145)	1,038,155	989,010
Hampton Roads Sanitation District Commission	8,261	374,166	382,427
Virginia Biotechnology Research Park Authority	371	11,847	12,218
Virginia Small Business Financing Authority	952	25,210	26,162
Virginia School for the Deaf and Blind Foundation	413	3,072	3,485
Science Museum of Virginia Foundation	254	16,438	16,692
Belmont Bay Science Center Foundation	112	688	800
Danville Science Center Foundation	46	1,200	1,246
Virginia Museum of Fine Arts Foundation	(25,003)	229,426	204,423
A. L. Philpott Manufacturing Extension Partnership	(202)	1,930	1,728
Virginia Horse Center Foundation	(450)	12,982	12,532
Virginia University Research Partnership	6,000	-	6,000
Fort Monroe Federal Area Development Authority	20	-	20
Assistive Technology Loan Fund Authority	(99)	11,839	11,740
Virginia National Defense Industrial Authority	(29)	106	77
Virginia Coalfield Coalition Authority	(7,357)	7,357	-
Virginia Land Conversation Foundation	(2,757)	10,433	7,676
Virginia Arts Foundation	66	512	578
Library of Virginia Foundation	(528)	4,842	4,314
Total Other Nonmajor	49,233	3,290,441	3,339,674
Total Nonmajor Component Units	\$ 139,773	\$ 7,383,094	\$ 7,522,867

Debt Schedules

Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2008	2007	2006	2005	2004
Tax-Supported Debt:					
Primary Government:					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	\$ 935,105	\$ 821,563	\$ 626,124	\$ 555,447	\$ 428,891
Section 9(c) Bonds (2)	66,884	78,766	90,374	101,585	107,495
Subtotal - General Obligation Bonds	1,001,989	900,329	716,498	657,032	536,386
Nongeneral Obligation Debt:					
Section 9(d) Bonds (2)	2,667,962	2,562,737	2,313,423	2,183,467	1,962,418
Other Long-term Debt and Obligations (3)	1,614,506	1,487,825	1,399,553	1,185,757	1,278,534
Total Primary Government	5,284,457	4,950,891	4,429,474	4,026,256	3,777,338
Component Units:					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	487,296	411,842	325,969	296,963	316,923
Subtotal - General Obligation Bonds	487,296	411,842	325,969	296,963	316,923
Nongeneral Obligation Bonds:					
Section 9(d) Bonds (2)	1,172,290	1,122,133	953,560	970,208	706,232
Other Long-term Debt (3)	906,560	787,640	656,186	557,838	471,946
Total Component Units	2,566,146	2,321,615	1,935,715	1,825,009	1,495,101
Total Tax-Supported Debt	7,850,603	7,272,506	6,365,189	5,851,265	5,272,439
Debt Not Supported by Taxes:					
Primary Government:					
Total Primary Government (2)	2,934,728	2,872,390	2,911,350	3,046,216	2,870,199
Component Units:					
Section 9(d) Moral Obligation Bonds	1,073,577	1,127,950	1,202,791	1,318,889	1,709,233
Section 9(d) Other Debt	1,147,172	815,247	840,779	546,062	563,986
Other Long-term Debt (4)	12,838,045	11,180,297	9,529,110	8,861,783	7,510,899
Foundations (5)	1,102,712	1,076,230	738,850	644,529	484,147
Total Component Units	16,161,506	14,199,724	12,311,530	11,371,263	10,268,265
Total Debt Not Supported by Taxes	19,096,234	17,072,114	15,222,880	14,417,479	13,138,464
Total Debt of the Commonwealth	\$ 26,946,837	\$ 24,344,620	\$ 21,588,069	\$ 20,268,744	\$ 18,410,903

	2008	2007	2006	2005	2004
Section 9(b) Debt:					
Transportation Facilities Bonds	\$ 18,622	\$ 24,263	\$ 29,660	\$ 34,792	\$ 39,672
Public Facilities Bonds	916,483	797,300	596,464	520,655	389,219
Subtotal 9(b) Debt	935,105	821,563	626,124	555,447	428,891
Section 9(c) Debt:					
Higher Educational Institution Bonds	487,296	411,842	325,969	296,963	316,923
Transportation Facilities Bonds	59,294	69,962	80,435	90,545	101,128
Parking Facilities Bonds	7,590	8,804	9,939	11,040	6,367
Subtotal 9(c) Debt	554,180	490,608	416,343	398,548	424,418
Total General Obligation Debt (1)	\$ 1,489,285	\$ 1,312,171	\$ 1,042,467	\$ 953,995	\$ 853,309

- (1) Total general obligation debt for the fiscal year ended.
- (2) Net of unamortized discounts, premiums, deferrals on debt defeasance, and/or issuance expenses.
- (3) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.
- (4) Includes bonds payable, notes payable, and other debt not supported by taxes.
- (5) Beginning in fiscal year 2004, foundations represent FASB reporting entities defined in Note 1.B.

Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2008	2007	2006	2005	2004
Primary Government:					
General Obligation Debt (1) (4):					
Section 9(b) Debt					
Transportation Facilities (2)	\$ 18,622	\$ 24,263	\$ 29,660	\$ 34,792	\$ 39,672
Public Facilities (2)	916,483	797,300	596,464	520,655	389,219
Subtotal Section 9(b) Debt	935,105	821,563	626,124	555,447	428,891
Section 9(c) Debt					
Parking Facilities (2)	7,590	8,804	9,939	11,040	6,367
Transportation Facilities (2)	59,294	69,962	80,435	90,545	101,128
Subtotal Section 9(c) Debt	66,884	78,766	90,374	101,585	107,495
Subtotal General Obligation Debt	1,001,989	900,329	716,498	657,032	536,386
Nongeneral Obligation Debt:					
Section 9(d) Debt:					
Transportation Debt (2)	948,507	987,550	1,021,172	1,041,397	1,074,589
Virginia Public Building Authority (2)	1,719,455	1,575,187	1,292,251	1,142,070	887,829
Subtotal Section 9(d) Debt	2,667,962	2,562,737	2,313,423	2,183,467	1,962,418
Other Long-term Debt:					
Transportation Notes Payable	12,325	12,325	12,325	12,325	12,325
Regional Jail Construction	9,980	11,693	13,375	15,030	16,654
Capital Lease Obligations	113,477	125,033	126,615	133,799	299,953
Installment Purchase Obligations (3)	54,761	59,574	50,485	24,047	29,228
Virginia Public Broadcasting Board Notes Payable	8,520	11,070	13,485	15,775	17,950
Industrial Development Authority Obligations	14,640	19,010	23,160	27,100	30,845
Economic Development Authority Obligations	96,992	100,387	100,592	-	-
Aviation Notes Payable	2,195	2,482	2,768	3,055	3,341
Subtotal Other Long-term Debt	312,890	341,574	342,805	231,131	410,296
Other Long-term Obligations:					
Compensated Absences	345,361	340,008	328,799	313,896	304,839
Pension Liability	878,579	789,771	709,835	621,969	542,471
OPEB Liability	57,473	-	-	-	-
Other Liabilities	20,203	16,472	18,114	18,761	20,928
Subtotal Other Long-term Obligations	1,301,616	1,146,251	1,056,748	954,626	868,238
Total Primary Government	5,284,457	4,950,891	4,429,474	4,026,256	3,777,338
Component Units:					
General Obligation Bonds (1) (4):					
Section 9(c) Debt					
Higher Educational Institutions (2)	487,296	411,842	325,969	296,963	316,923
Subtotal General Obligation Debt	487,296	411,842	325,969	296,963	316,923
Nongeneral Obligation Debt:					
Section 9(d) Debt:					
Virginia Port Authority (2)	218,596	236,300	251,219	265,518	212,798
Innovative Technology Authority	6,270	7,145	7,935	8,635	9,345
Virginia College Building Authority	899,572	828,488	641,954	641,450	402,794
Virginia Biotechnology Research Park Authority	47,852	50,200	52,452	54,605	81,295
Subtotal Section 9(d) Debt	1,172,290	1,122,133	953,560	970,208	706,232
Other Long-term Debt:					
Long-term Capital Lease Obligations	136,773	124,738	59,532	46,272	44,123
Installment Purchase Obligations (3)	118,811	126,755	137,788	85,614	25,227
Subtotal Other Long-term Debt	255,584	251,493	197,320	131,886	69,350
Other Long-term Obligations:					
Compensated Absences	229,910	220,887	199,127	187,489	182,306
Pension Liability	358,881	315,260	259,739	238,463	220,290
OPEB Liability	62,185	-	-	-	-
Subtotal Other Long-term Obligations	650,976	536,147	458,866	425,952	402,596
Total Component Units	2,566,146	2,321,615	1,935,715	1,825,009	1,495,101
Total Tax-Supported Debt	\$ 7,850,603	\$ 7,272,506	\$ 6,365,189	\$ 5,851,265	\$ 5,272,439

(1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith, credit, and taxing power of the Commonwealth.

(2) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.

(3) Reflected as Notes Payable in Note 23, Long-term Liabilities.

(4) See Note 1 on previous page.

Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years

(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2008	2007	2006	2005	2004
Primary Government:					
Other Long-term Debt & Obligations:					
Federal Reimbursement Anticipation Notes Payable (1)	\$ 677,297	\$ 800,538	\$ 918,494	\$ 746,877	\$ 834,992
Pocahontas Parkway Association Bonds	-	-	-	463,357	447,372
Pension Liability	18,887	16,966	14,474	12,990	11,601
OPEB Liability	1,551	-	-	-	-
Capital Lease Obligations	2,347	-	-	-	-
Compensated Absences	8,761	8,682	8,262	7,859	7,852
Installment Purchase Obligations	1,735	2,610	5,967	9,709	12,475
Tuition Benefits Payable	1,891,424	1,730,482	1,617,517	1,430,383	1,157,712
Lottery Prizes Payable	332,726	313,112	346,636	375,041	398,195
Total Primary Government	2,934,728	2,872,390	2,911,350	3,046,216	2,870,199
Component Units:					
Section 9(d) Moral Obligation Debt: (1)					
Virginia Housing Development Authority	391,691	449,350	498,314	623,790	735,600
Virginia Public School Authority					
(1991 Resolution)	-	-	-	-	248,837
Virginia Resources Authority	681,886	678,600	704,477	695,099	724,796
Subtotal Section 9(d) Moral Obligation Debt	1,073,577	1,127,950	1,202,791	1,318,889	1,709,233
Section 9(d) Other Debt:					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	846,677	624,609	646,914	445,392	456,816
Teaching Hospitals Revenue Bonds (4)	300,495	190,638	193,865	100,670	107,170
Subtotal Section 9(d) Other Debt	1,147,172	815,247	840,779	546,062	563,986
Other Long-term Debt:					
Virginia Housing Development Authority (1) (2)	6,487,296	5,548,833	4,656,701	4,003,396	3,476,198
Hampton Roads Sanitation District	359,904	143,658	144,450	138,509	133,567
Virginia Equine Center	-	-	15,320	15,540	15,745
Virginia Biotechnology Research Park Authority	10,015	10,975	11,880	12,730	13,525
Virginia Public School Authority (1) (2)	3,030,087	2,860,310	2,689,512	2,449,447	2,059,419
Virginia Port Authority	292,982	230,817	141,118	142,650	146,427
Virginia Resources Authority	1,101,055	1,017,988	677,382	591,196	516,423
Notes Payable	1,293,035	1,034,475	908,394	1,139,395	858,031
Bond Anticipation Notes	-	40,000	-	-	-
Other Long-term Debt	263,671	293,241	284,353	368,920	291,564
Foundations (5)	1,102,712	1,076,230	738,850	644,529	484,147
Subtotal Other Long-term Debt	13,940,757	12,256,527	10,267,960	9,506,312	7,995,046
Subtotal Section 9(d) and Other Debt	15,087,929	13,071,774	11,108,739	10,052,374	8,559,032
Total Component Units	16,161,506	14,199,724	12,311,530	11,371,263	10,268,265
Total Debt Not Supported by Taxes (3)	\$ 19,096,234	\$ 17,072,114	\$ 15,222,880	\$ 14,417,479	\$ 13,138,464

(1) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.

(2) Includes notes payable and/or installment purchase obligations.

(3) These amounts are not backed by the full faith, credit, and taxing power of the Commonwealth.

(4) Beginning in fiscal year 2002, this includes the Virginia Commonwealth University Health System Authority.

(5) Beginning in fiscal year 2004, foundations represent FASB reporting entities defined in Note 1.B.

Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	As of June 30, 2007	New Debt Authorized	Debt Issued	Other Adjust- ments	As of June 30, 2008
Section 9(b) Debt (Primary Government):					
Higher Educational Institution Bonds (1)	\$ 358,176	\$ -	\$ 149,200	\$ (3,300)	\$ 205,676
Park and Recreational Facilities (1)	59,152	-	24,465	(535)	34,152
Subtotal Section 9(b) Debt	417,328	-	173,665	(3,835)	239,828
Section 9(c) Debt (Primary Government):					
Higher Educational Institution Bonds	388,801	350,565	107,805	(1,842)	629,719
Subtotal Section 9(c) Debt	388,801	350,565	107,805	(1,842)	629,719
Section 9(d) Debt:					
Primary Government:					
Transportation Contract Revenue Bonds					
(Northern Virginia Transportation District					
Fund Program)	97,100	-	-	-	97,100
Transportation Capital Projects Revenue Bonds	3,000,000	180,000	-	-	3,180,000
Economic Development Authority Obligations	34,238	-	-	-	34,238
Component Units:					
Virginia Public Building Authority					
(Projects)	536,784	780,433	180,120	(2,877)	1,134,220
Virginia Public Building Authority					
(Juvenile Detention Facilities)	-	-	-	-	-
Virginia Public Building Authority					
(Jails)	120,123	97,914	62,360	(3,442)	152,235
Virginia College Building Authority					
(21st Century)	112,869	1,473,749	95,605	(4,395)	1,486,618
Virginia College Building Authority					
(Equipment Program)	51,705	116,799	48,470	(3,235)	116,799
Virginia Port Authority	-	155,000	-	-	155,000
Subtotal Section 9(d) Debt	3,952,819	2,803,895	386,555	(13,949)	6,356,210
Total Authorized and Unissued					
Tax-Supported Debt	\$ 4,758,948	\$ 3,154,460	\$ 668,025	\$ (19,626)	\$ 7,225,757

- (1) \$18,808,302 was reallocated to Higher Education Institution Bonds to Park and Recreational Facilities Bonds during fiscal year 2007. The beginning balances for each bond changed but the overall 9(b) Debt balance agrees to the prior year's total amount.

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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 117,324	\$ 67,681	\$ 185,005	\$ 281,487	\$ 172,085	\$ 453,572
2010	116,005	62,736	178,741	287,101	158,727	445,828
2011	113,827	57,270	171,097	278,296	145,875	424,171
2012	103,510	51,845	155,355	262,916	132,768	395,684
2013	104,000	46,773	150,773	256,981	119,903	376,884
2014	94,210	41,663	135,873	246,784	108,008	354,792
2015	90,445	37,050	127,495	253,637	95,844	349,481
2016	82,200	32,572	114,772	246,537	83,753	330,290
2017	69,535	28,628	98,163	233,109	72,509	305,618
2018	62,710	25,229	87,939	213,920	61,857	275,777
2019	61,770	22,458	84,228	185,870	52,194	238,064
2020	60,665	19,713	80,378	163,023	43,758	206,781
2021	62,010	16,962	78,972	159,116	36,556	195,672
2022	56,530	14,080	70,610	142,930	29,538	172,468
2023	55,890	11,388	67,278	139,700	23,324	163,024
2024	54,175	8,878	63,053	134,046	17,559	151,605
2025	44,520	6,404	50,924	112,569	11,897	124,466
2026	37,590	4,408	41,998	100,789	7,708	108,497
2027	27,515	2,724	30,239	61,661	4,063	65,724
2028	10,480	1,464	11,944	36,883	1,661	38,544
2029	5,810	1,011	6,821	5,724	575	6,299
2030	6,060	755	6,815	5,800	394	6,194
2031	4,485	489	4,974	5,897	204	6,101
2032	1,930	292	2,222	1,724	-	1,724
2033	780	202	982	-	-	-
2034	815	166	981	-	-	-
2035	855	128	983	-	-	-
2036	895	87	982	-	-	-
2037	935	44	979	-	-	-
2038	-	-	-	-	-	-
Subtotal	1,447,476	563,100	2,010,576	3,816,500	1,380,760	5,197,260
Add						
Accretion on						
Capital Appreciation						
Bonds	-	-	-	12,049	-	12,049
Add						
Unamortized						
Premium	61,119	-	61,119	188,337	-	188,337
Less						
Unamortized						
Discount	(299)	-	(299)	(2,053)	-	(2,053)
Less						
Deferral on						
Debt Defeasance	(19,012)	-	(19,012)	(39,913)	-	(39,913)
Total	\$ 1,489,284	\$ 563,100	\$ 2,052,384	\$ 3,974,920	\$ 1,380,760	\$ 5,355,680

[1] Includes Virginia Biotechnology Research Park Authority, Innovative Technology Authority, Newport News Industrial Development Authority, Virginia Public Broadcasting Board, Fairfax County Economic Development Authority, Virginia Aviation Board and Transportation Notes Payable. Does not include other capital leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, and uninsured employers fund.

[2] Includes principal amount of \$2,680,287 (dollars in thousands) which includes transportation notes payable of \$12,325 (dollars in thousands) for the primary government.

Total		
Principal	Interest	Total
\$ 398,811	\$ 239,766	\$ 638,577
403,106	221,463	624,569
392,123	203,145	595,268
366,426	184,613	551,039
360,981	166,676	527,657
340,994	149,671	490,665
344,082	132,894	476,976
328,737	116,325	445,062
302,644	101,137	403,781
276,630	87,086	363,716
247,640	74,652	322,292
223,688	63,471	287,159
221,126	53,518	274,644
199,460	43,618	243,078
195,590	34,712	230,302
188,221	26,437	214,658
157,089	18,301	175,390
138,379	12,116	150,495
89,176	6,787	95,963
47,363	3,125	50,488
11,534	1,586	13,120
11,860	1,149	13,009
10,382	693	11,075
3,654	292	3,946
780	202	982
815	166	981
855	128	983
895	87	982
935	44	979
-	-	-
5,263,976	1,943,860	7,207,836
12,049	-	12,049
249,456	-	249,456
(2,352)	-	(2,352)
(58,925)	-	(58,925)
\$ 5,464,204	\$ 1,943,860	\$ 7,408,064

Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
General Obligation Debt					
Section 9(b) Debt (Primary Government):					
Transportation Facilities Bonds					
Series 2003 Refunding	\$ 40,370	\$ 22,270	\$ (5,130)	\$ 17,140	06/01/09-11
Deferral on Debt Defeasance	-	(473)	118	(355)	
Unamortized Premium	-	2,466	(629)	1,837	
Total Transportation Facilities Bonds	40,370	24,263	(5,641)	18,622	
Public Facilities Bonds					
Series 1998 Refunding	59,235	39,025	(13,545)	25,480	06/01/09-13
Series 1998	50,990	3,115	(3,115)	-	
Series 1999	20,125	2,120	(1,060)	1,060	06/01/09
Series 2002 Refunding	114,865	55,080	(5,105)	49,975	06/01/09-16
Series 2003	50,400	40,340	(2,515)	37,825	06/01/09-23
Series 2004	243,680	219,020	(11,185)	207,835	06/01/09-24
Series 2005	118,110	106,355	(6,010)	100,345	06/01/09-25
Series 2006 Refunding	61,535	58,755	(2,755)	56,000	06/01/09-15
Series 2006	117,910	112,420	(5,920)	106,500	06/01/09-26
Series 2007	200,465	124,965	69,250	194,215	06/01/09-27
Series 2008	98,165	-	98,165	98,165	06/01/09-28
Deferral on Debt Defeasance	-	(8,908)	1,078	(7,830)	
Unamortized Premium	-	45,013	1,900	46,913	
Total Public Facilities Bonds	1,135,480	797,300	119,183	916,483	
Total Section 9(b) Debt	1,175,850	821,563	113,542	935,105	
Section 9(c) Debt					
Higher Educational Institution Bonds (Component Units)					
Series 1979 Bonds					
James Madison University					
Dormitory Complex	3,695	365	(180)	185	06/01/09
Subtotal Series 1979 Bonds	3,695	365	(180)	185	
Series 1981 Bonds					
Virginia Commonwealth University					
Low-Rise Dormitory	4,932	942	(225)	717	06/01/09-11
Subtotal Series 1981 Bonds	4,932	942	(225)	717	
Series 1983 Bonds					
Old Dominion University					
Mid-Rise Dormitory	3,500	970	(150)	820	06/01/09-13
Powhatan Field Apartments, Phase II	3,636	1,020	(155)	865	06/01/09-13
Virginia Commonwealth University					
Low-Rise Dormitory	4,050	1,120	(170)	950	06/01/09-13
Subtotal Series 1983 Bonds	11,186	3,110	(475)	2,635	
Series 1989 Bonds					
George Mason University					
Humanities III	9,400	1,582	(765)	817	06/01/09
Residence Hall III	10,697	1,800	(871)	929	06/01/09
University of Virginia					
Student Health Center	1,300	219	(106)	113	06/01/09
Subtotal Series 1989 Bonds	21,397	3,601	(1,742)	1,859	

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
General Obligation Debt <i>(continued)</i>					
Section 9(c) Debt <i>(continued)</i>					
Higher Educational Institution Bonds (Component Units) <i>(continued)</i>					
Series 1990 Bonds					
University of Virginia					
Judge Advocate General School	6,265	1,745	(530)	1,215	06/01/09-10
Subtotal Series 1990 Bonds	6,265	1,745	(530)	1,215	
Series 1998 Bonds					
College of William and Mary					
Dormitory Renovation	6,390	300	(300)	-	
George Mason University					
Arl-Metro Parking	1,915	235	(235)	-	
James Madison University					
Dining Facilities Renovation	1,080	50	(50)	-	
Virginia Polytechnic Institute and State University					
Dining Hall	3,255	155	(155)	-	
Virginia State University					
Jones Dining Hall	1,045	50	(50)	-	
Subtotal Series 1998 Bonds	13,685	790	(790)	-	
Series 1998 Refunding Bonds					
Christopher Newport University					
Dormitory and Dining 1992C	3,260	2,320	(271)	2,049	06/01/09-15
Dormitory and Dining 1994	170	80	(80)	-	
College of William and Mary					
Dormitory Phase II 1994	362	170	(170)	-	
Dormitory 1992D	701	577	(85)	492	06/01/09-13
Dormitory 1994	33	15	(15)	-	
University Center 1992C	6,617	4,467	(666)	3,801	06/01/09-13
George Mason University					
Student Union II 1992A	1,572	920	(170)	750	06/01/09-12
James Madison University					
Student Activities 1992C	4,599	3,106	(462)	2,644	06/01/09-13
Longwood University					
Student Housing 1992A	2,949	1,730	(314)	1,416	06/01/09-12
University of Mary Washington					
Residence Hall 1992C	2,094	1,412	(210)	1,202	06/01/09-13
University of Virginia					
Central Ground Parking 1992D	6,146	5,078	(756)	4,322	06/01/09-13
CVC Dormitory 1992C	409	256	(47)	209	06/01/09-12
HSC Parking 1992D	843	699	(106)	593	06/01/09-13
West Scott Stadium 1992D	614	505	(74)	431	06/01/09-13
VCCS/Northern Virginia Community College					
NVCC Parking Deck 1992A	1,869	1,095	(201)	894	06/01/09-12
Virginia Commonwealth University					
Dormitory Renovations 1992D	1,636	1,353	(201)	1,152	06/01/09-13
Housing Repairs 1992C	755	477	(88)	389	06/01/09-12
MCV Parking 1992C	5,198	3,509	(525)	2,984	06/01/09-13

Continued on next page

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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1998 Refunding Bonds (continued)					
Virginia Polytechnic Institute and State University					
Dormitory Repairs 1992C	1,440	1,189	(180)	1,009	06/01/09-13
Dormitory 1992D	1,380	1,138	(169)	969	06/01/09-13
Residence Hall 1992C	3,158	2,134	(320)	1,814	06/01/09-13
Subtotal Series 1998 Refunding Bonds	45,805	32,230	(5,110)	27,120	
Series 1999 Bonds					
Christopher Newport University					
Residence Hall II	12,980	1,220	(595)	625	06/01/09
Longwood University					
Dining Hall	3,020	270	(130)	140	06/01/09
Residence Hall Improvements	2,825	255	(125)	130	06/01/09
University of Virginia					
Residence Hall - Wise	4,665	440	(215)	225	06/01/09
Virginia Polytechnic Institute and State University					
Dining Hall HVAC	1,800	170	(85)	85	06/01/09
Subtotal Series 1999 Bonds	25,290	2,355	(1,150)	1,205	
Series 2001 Bonds					
Christopher Newport University					
New Residence Hall	23,050	5,971	(986)	4,985	06/01/09-21
College of William and Mary					
Renovate Dormitories	4,875	1,220	(200)	1,020	06/01/09-21
George Mason University					
Housing Building V	21,780	9,180	(760)	8,420	06/01/09-24
Housing Renovations	3,435	1,675	(395)	1,280	06/01/09-11
James Madison University					
Bluestone Dorm Phase III	5,900	1,455	(240)	1,215	06/01/09-21
University of Mary Washington					
Residence hall Renovation	1,925	480	(80)	400	06/01/09-21
University of Virginia					
Res. Hall-Monroe Lane	4,670	1,170	(195)	975	06/01/09-21
Subtotal Series 2001 Bonds	65,635	21,151	(2,856)	18,295	
Series 2002 Bonds					
College of William and Mary					
Dorm Renovations	5,015	4,080	(195)	3,885	06/01/09-22
George Mason University					
Housing Building V	8,635	7,025	(335)	6,690	06/01/09-22
James Madison University					
Bluestone Dorm Renovations I	2,045	1,660	(80)	1,580	06/01/09-22
Bluestone Dorm Renovations II	2,125	1,725	(80)	1,645	06/01/09-22
Old Dominion University					
Housing Renovation	2,565	2,090	(100)	1,990	06/01/09-22

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2002 Bonds (continued)					
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	975	705	(55)	650	06/01/09-17
Subtotal Series 2002 Bonds	21,360	17,285	(845)	16,440	
Series 2002 Refunding Bonds					
College of William and Mary					
Dorm Renovations	362	245	(35)	210	06/01/09-13
Dorm Repairs	898	894	(3)	891	06/01/09-16
Underground Utility	878	878	(73)	805	06/01/09-16
University Center	121	85	(10)	75	06/01/09-13
George Mason University					
University Center	14,696	11,230	(1,188)	10,042	06/01/09-15
James Madison University					
Residence Facility	3,089	2,140	(317)	1,823	06/01/09-13
Longwood University					
Dining Hall	3,072	3,059	(13)	3,046	06/01/09-16
University of Mary Washington					
Telecommunications	2,647	1,800	(265)	1,535	06/01/09-13
University of Virginia					
Newcomb Hall Expansion Projects	6,213	6,213	(510)	5,703	06/01/09-16
Student Residence Facility Project	2,796	2,796	(230)	2,566	06/01/09-16
Virginia Commonwealth University					
Visitors Deck	1,823	1,815	(8)	1,807	06/01/09-16
Virginia State University					
Dorm Renovation	690	690	(208)	482	06/01/09-10
Foster Hall	592	592	(180)	412	06/01/09-10
Jones Dining Hall	1,358	1,352	(6)	1,346	06/01/09-16
Langston Hall	661	661	(199)	462	06/01/09-10
Subtotal Series 2002 Refunding Bonds	39,896	34,450	(3,245)	31,205	
Series 2003 Refunding Bonds					
Christopher Newport University					
Dormitory Project	1,209	663	(152)	511	06/01/09-11
College of William and Mary					
Graduate Housing	3,906	2,104	(503)	1,601	06/01/09-11
Randolph Residences	881	317	(153)	164	06/01/09
Tyler Hall Renovation	410	90	(90)	-	
George Mason University					
Residence Hall IV	5,438	2,522	(812)	1,710	06/01/09-10
James Madsion University					
Gibbons Hall Renovation	1,316	611	(196)	415	06/01/09-10
Student Residence Hall	1,387	302	(302)	-	
Longwood University					
Housing Repairs	212	102	(33)	69	06/01/09-10
Norfolk State University					
Cafeteria Renovation	2,234	1,201	(286)	915	06/01/09-11
Residence Hall	1,948	907	(291)	616	06/01/09-10
Residence Hall	5,133	2,763	(661)	2,102	06/01/09-11

Continued on next page

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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2003 Refunding Bonds (continued)					
Old Dominion University					
Athletic Facility	2,970	1,379	(444)	935	06/01/09-10
Multi-Level Parking	2,333	1,083	(349)	734	06/01/09-10
Property at 43rd and Hampton	148	32	(32)	-	
Webb Center Addition	3,686	1,982	(473)	1,509	06/01/09-11
University of Mary Washington					
Residence Hall	1,461	680	(219)	461	06/01/09-10
University of Virginia					
Heater/Chiller Replacement	583	273	(86)	187	06/01/09-10
Student Housing	7,587	4,086	(976)	3,110	06/01/09-11
Virginia Polytechnic Institute and State University					
Dorm and Dining Renovation	2,694	1,449	(345)	1,104	06/01/09-11
Parking Renovations	2,268	1,220	(291)	929	06/01/09-11
Squires Center Renovation	684	315	(101)	214	06/01/09-10
Squires Student Center	1,755	944	(226)	718	06/01/09-11
Student Activities Center	5,457	1,185	(1,185)	-	
Subtotal Series 2003 Refunding Bonds	55,700	26,210	(8,206)	18,004	
Series 2004 New Money and Refunding Bonds					
Christopher Newport University					
New Residence Hall - '01 Refunded Portion	12,842	12,582	-	12,582	06/01/09-20
Residence Hall II - '99 Refunded Portion	8,416	8,240	-	8,240	06/01/09-19
College of William & Mary					
Dorm Renovation Phase II - '97 Refunded Portion	469	459	(39)	420	06/01/09-17
Dorm Renovations - '98 Refunded Portion	3,778	3,705	-	3,705	06/01/09-18
Dorm Repairs - '97 Refunded Portion	2,077	2,034	(162)	1,872	06/01/09-17
Renovate Dormitories - '01 Refunded Portion	2,629	2,576	-	2,576	06/01/09-20
Utility System - '97 Refunded Portion	1,226	1,201	(101)	1,100	06/01/09-17
George Mason University					
Commonwealth and Dominion Housing	2,340	1,745	(215)	1,530	06/01/09-14
Housing Building V - '01 Refunded Portion	9,940	9,739	-	9,739	06/01/09-20
James Madison University					
Bluestone Dorm, Phase II - '01 Refunded Portion	3,130	3,066	-	3,066	06/01/09-20
Dining Facilities Renovation - '98 Refunded Portion	638	626	-	626	06/01/09-18
Dining Hall Renovation - '97 Refunded Portion	818	801	(67)	734	06/01/09-17
Residence Hall - '97 Refunded Portion	7,093	6,946	(547)	6,399	06/01/09-17
Student Services - '97 Refunded Portion	3,783	3,705	(293)	3,412	06/01/09-17
Longwood University					
Dining Hall - '99 Refunded Portion	1,868	1,829	-	1,829	06/01/09-19
Residence Hall Improvements - '99 Refunded Portion	1,747	1,710	-	1,710	06/01/09-19
University of Mary Washington					
Residence Hall Renovation - '01 Refunded Portion	1,036	1,015	-	1,015	06/01/09-20
University of Virginia					
Residence Hall - Monroe Lane - '01 Refunded Portion	2,513	2,462	-	2,462	06/01/09-20
Residence Hall - Wise - '99 Refunded Portion	3,020	2,957	-	2,957	06/01/09-19
Virginia Commonwealth University					
Academic Parking Deck - '97 Refunded Portion	7,723	7,563	(595)	6,968	06/01/09-17

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2004 New Money and Refunding Bonds (continued)					
Virginia Military Institute					
VMI - Crozet Hall and Parking	11,240	10,530	(380)	10,150	06/01/09-25
Virginia Polytechnic Institute and State University					
Dining Hall - '98 Refunded Portion	1,928	1,891	-	1,891	06/01/09-18
Dining Hall HVAC - '99 Refunded Portion	1,168	1,143	-	1,143	06/01/09-19
Parking Auxilliary Project - '97 Refunded Portion	951	931	(77)	854	06/01/09-17
Residence Hall - '97 Refunded Portion	9,995	9,788	(764)	9,024	06/01/09-17
Renovate Dietrick Severy, Phase II	4,800	4,320	(170)	4,150	06/01/09-24
Virginia State University					
Jones Dining Hall - '98 Refunded Portion	618	606	-	606	06/01/09-18
Subtotal Series 2004 New Money and Refunding Bonds	107,786	104,170	(3,410)	100,760	
Series 2005 Bonds					
College of William & Mary					
Renovate Dining	9,555	9,255	(310)	8,945	06/01/09-26
Renovate Dorms	5,800	5,620	(190)	5,430	06/01/09-26
George Mason University					
Student Housing	25,800	25,800	(645)	25,155	06/01/09-30
Longwood University					
Renovate Housing Facilities	3,915	3,585	(130)	3,455	06/01/09-25
Old Dominion University					
Renovate Housing - Phase I	4,735	4,335	(160)	4,175	06/01/09-25
University of Mary Washington					
Seacobeck Dining Hall	4,730	4,330	(160)	4,170	06/01/09-25
Subtotal Series 2005 Bonds	54,535	52,925	(1,595)	51,330	
Series 2006 Refunding Bonds					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	1,725	-	1,725	06/01/09-21
College of William & Mary					
Dorm - '96 Refunding, Refunded Portion	100	100	-	100	06/01/09-14
Dorm, Phase II -'96 Refunding, Refunded Portion	1,525	1,525	-	1,525	03/01/07-15
Dorm Repairs -'96A Refunded Portion	165	85	(85)	-	
Longwood University					
Dining Hall - '96A Refunded Portion	565	295	(295)	-	
Virginia Commonwealth University					
Visitors Deck - '96A Refunded Portion	335	175	(175)	-	
Virginia State University					
Jones Dining Hall -'96A Refunded Portion	255	135	(135)	-	
Subtotal Series 2006 Refunding Bonds	4,670	4,040	(690)	3,350	
Series 2006 Bonds					
College of William & Mary					
Renovate Dormitories	4,515	4,290	(140)	4,150	06/01/09-26
George Mason University					
Construct Student Housing VII	39,080	39,080	-	39,080	06/01/09-31
Renovate Housing Facilities	2,420	2,420	(220)	2,200	06/01/09-16

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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2006 Bonds (continued)					
James Madison University					
Renovate Residence Hall Phase III	6,230	5,915	(195)	5,720	06/01/09-26
Longwood University					
Renovate Housing Facilities	5,900	5,605	(185)	5,420	06/01/09-26
Old Dominion University					
Construct Residence Hall Phase II	8,785	8,340	(275)	8,065	06/01/09-26
Virginia Polytechnic Institute and State University					
Parking Projects	685	650	(20)	630	06/01/09-26
Virginia State University					
Construct Dining Hall	4,330	4,330	(145)	4,185	06/01/09-26
Construct Residence Halls	16,780	16,780	(550)	16,230	06/01/09-26
Subtotal Series 2006 Bonds	88,725	87,410	(1,730)	85,680	
Series 2007 Bonds					
George Mason University					
Construct Student Housing VII and Entrance Road	15,495	-	15,495	15,495	06/01/10-32
Construct Student Housing, VII	2,010	-	2,010	2,010	06/01/09-32
Renovate Student Housing, President's Park I	3,130	-	3,130	3,130	06/01/09-17
James Madison University					
Construct Dining Hall	20,840	-	19,775	19,775	06/01/09-27
Renovate Bluestone Residence Hall, Phase III	2,280	-	2,165	2,165	06/01/09-27
Longwood University					
Renovate Cox Hall	6,250	-	5,930	5,930	06/01/09-27
Old Dominion University					
Construct Residence Hall, Phase II	16,115	-	15,290	15,290	06/01/09-27
Virginia Commonwealth University					
Monroe Park Housing	15,525	-	15,525	15,525	06/01/09-37
Virginia Polytechnic Institute and State University					
Construct New Residence Hall	13,130	13,130	-	13,130	06/01/10-27
Improve Residence and Dining Halls	5,995	5,995	-	5,995	06/01/10-27
Virginia State University					
Construct Residence Halls	2,020	2,020	(65)	1,955	06/01/09-27
Construct Two Residence Halls	26,160	-	26,160	26,160	06/01/10-27
Subtotal Series 2007 Bonds	128,950	21,145	105,415	126,560	
Deferral on Debt Defeasance	-	(9,930)	1,190	(8,740)	
Unamortized Premium	-	7,848	1,628	9,476	
Subtotal Higher Educational Institution Bonds	699,512	411,842	75,454	487,296	
Transportation Facilities Bonds (Primary Government)					
Series 1989, Dulles Toll Road	34,348	5,713	(2,763)	2,950	06/01/09
Series 1998, Coleman Bridge Refunding	3,135	1,490	(1,490)	-	
Series 2002, Dulles Refunding	24,615	24,575	(115)	24,460	06/01/09-16
Series 2003, Dulles Refunding	18,765	3,526	(3,526)	-	
Series 2006, Dulles Refunding	4,535	2,315	(2,315)	-	
Series 2006, Coleman Refunding	31,880	31,640	(250)	31,390	06/01/09-21
Deferral on Debt Defeasance	-	(1,929)	65	(1,864)	
Unamortized Premium	-	2,632	(274)	2,358	
Subtotal Transportation Facilities Bonds	117,278	69,962	(10,668)	59,294	

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Parking Facilities Bonds (Primary Government)					
Series 2002 Refunding	230	230	(25)	205	06/01/09-15
Series 2003 Refunding	5,860	3,159	(754)	2,405	06/01/09-11
Series 2004	5,390	4,855	(190)	4,665	06/01/09-24
Series 2006 Refunding	345	180	(180)	-	
Deferral on Debt Defeasance	-	(267)	45	(222)	
Unamortized Premium	-	647	(110)	537	
Subtotal Parking Facilities					
Bonds	11,825	8,804	(1,214)	7,590	
Total Section 9(c) Debt	828,615	490,608	63,572	554,180	
Total General Obligation Debt	2,004,465	1,312,171	177,114	1,489,285	
Nongeneral Obligation Debt					
Section 9(d) Debt					
Virginia Public Building Authority Bonds (Primary Government)					
Series 1992B	94,335	-	-	-	
Accreted Principal	-	48,723	(12,902)	35,821	08/01/08-10
Series 1997A	152,885	7,050	(7,050)	-	
Series 1998A Refunding	147,000	95,310	(77,625)	17,685	08/01/08-13
Series 1998B	40,425	3,715	(1,810)	1,905	08/01/08
Series 1999A	68,920	6,040	(2,950)	3,090	08/01/08
Series 1999B	27,730	5,645	(1,790)	3,855	08/01/08-09
Series 2000A	104,990	17,995	(4,135)	13,860	08/01/08-10
Series 2001A	35,830	29,445	(1,440)	28,005	08/01/08-21
Series 2002A	55,000	47,215	(2,160)	45,055	08/01/08-22
Series 2003A	38,809	31,725	(3,915)	27,810	08/01/08-14
Series 2004A	187,106	176,846	(8,810)	168,036	08/01/08-16
Series 2004B	207,065	188,755	(10,100)	178,655	08/01/08-24
Series 2004C	39,260	33,250	(3,110)	30,140	08/01/08-15
Series 2004D	106,460	105,715	(390)	105,325	08/01/08-20
Series 2005A	47,305	43,475	(2,985)	40,490	08/01/08-18
Series 2005B	135,675	135,575	(3,575)	132,000	08/01/08-19
Series 2005C	165,810	155,510	(10,800)	144,710	08/01/08-22
Series 2005D	50,000	50,000	-	50,000	08/01/22-25
Series 2006A	135,000	135,000	(6,920)	128,080	08/01/08-26
Series 2006B	215,065	215,065	(8,670)	206,395	08/01/08-26
Series 2007A	242,480	-	242,480	242,480	08/01/08-27
Series 2008A	58,995	-	58,995	58,995	08/01/08-12
Deferral on Debt Defeasance	-	(28,588)	1,979	(26,609)	
Unamortized Premium	-	71,721	11,951	83,672	
Total Virginia Public Building Authority					
Bonds	2,356,145	1,575,187	144,268	1,719,455	

Continued on next page

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

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
Nongeneral Obligation Debt (continued)					
Section 9(d) Debt (continued)					
Virginia College Building Authority Bonds (Component Unit) (1)					
21st Century College Program					
Series 1996	53,160	2,650	(2,650)	-	
Series 1998	54,785	8,300	(2,645)	5,655	08/01/08-09
Series 1999	59,495	5,475	(820)	4,655	02/01/09-13
Series 2000	60,900	1,230	(600)	630	02/01/09
Series 2001	65,795	7,085	(755)	6,330	02/01/09-15
Series 2002	130,795	30,480	(3,265)	27,215	02/01/09-15
Series 2003	140,250	99,895	(10,885)	89,010	02/01/09-23
Series 2004A	172,745	135,530	(12,445)	123,085	02/01/09-24
Series 2004B Refunding	61,395	60,180	(60)	60,120	02/01/09-20
Series 2005	115,785	91,785	(12,075)	79,710	02/01/09-25
Series 2006A	53,835	45,960	(10,695)	35,265	02/01/09-11
Series 2006BC	120,000	114,995	(3,760)	111,235	02/01/09-26
Series 2007A	59,125	59,125	-	59,125	02/01/09-22
Series 2007B	132,095	132,095	(18,245)	113,850	02/01/09-27
Series 2008A	144,075	-	144,075	144,075	02/01/09-28
Deferral on Debt Defeasance	-	(5,785)	520	(5,265)	
Unamortized Premium	-	39,488	5,389	44,877	
Total Virginia College Building Authority Bonds	1,424,235	828,488	71,084	899,572	
Transportation Debt (Primary Government)					
Route 28 Refunding Bonds	111,680	110,034	(2,302)	107,732	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	517,540	(24,815)	492,725	11/15/03-26
Northern Virginia Transportation District Program	324,410	296,365	(13,720)	282,645	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	23,160	(1,095)	22,065	11/15/03-22
Deferral on Debt Defeasance	-	(14,997)	7,207	(7,790)	
Unamortized Premium	-	55,448	(4,318)	51,130	
Total Section 9(d) Transportation Debt	1,075,785	987,550	(39,043)	948,507	
Virginia Port Authority Debt (Component Unit)					
Series 1996	38,300	1,935	(1,935)	-	10/15/96-07
Refunding Series 1998	71,015	19,645	(9,560)	10,085	04/01/98-08
Series 2002	135,000	129,545	(3,620)	125,925	7/11/92-27
Series 2005	60,000	58,755	(1,275)	57,480	7/01/05-30
Series 2006	21,730	21,730	(1,000)	20,730	7/01/07-16
Deferral on Debt Defeasance	-	(322)	73	(249)	
Unamortized Premium	-	5,012	(387)	4,625	
Total Virginia Port Authority Debt	326,045	236,300	(17,704)	218,596	
Innovative Technology Authority Debt (Component Unit)					
Series 1997	13,300	7,145	(875)	6,270	5/1/97-14
Virginia Biotechnology Research Park Authority (Component Unit)					
Series 1996	91,010	49,805	(2,320)	47,485	09/01/03-22
Unamortized Premium	-	395	(28)	367	
	91,010	50,200	(2,348)	47,852	

Series	Amount Issued	Outstanding June 30, 2007	Issued (Retired) During Year	Outstanding June 30, 2008	Maturity
Nongeneral Obligation Debt <i>(continued)</i>					
Section 9(d) Debt <i>(continued)</i>					
Virginia Public Broadcasting Board					
Board Notes Payable	23,840	11,070	(2,550)	8,520	08/01/03-11
Industrial Development Authority Obligations	42,490	19,010	(4,370)	14,640	03/01/03-11
Economic Development Authority Obligations	96,515	96,515	(3,190)	93,325	12/01/06-26
Unamortized Premium	-	3,872	(205)	3,667	
	96,515	100,387	(3,395)	96,992	
Total Section 9(d) Debt	5,449,365	3,815,337	145,067	3,960,404	
Nongeneral Obligation Debt and Other Obligations					
Other Long-term Debt (2)					
Capital Leases	-	249,771	479	250,250	
Installment Purchase Obligations	-	186,329	(12,757)	173,572	
Transportation Notes Payable	-	12,325	-	12,325	
Regional Jail Construction Liability	-	11,693	(1,713)	9,980	
Aviation Note Payable	6,600	2,482	(287)	2,195	
Total Other Long-term Debt	6,600	462,600	(14,278)	448,322	
Other Long-term Obligations					
Compensated Absences	-	560,895	14,376	575,271	
Pension Liability	-	1,105,031	132,429	1,237,460	
OPEB Liability	-	-	119,658	119,658	
Other	-	16,472	3,731	20,203	
Total Other Long-term Obligations	-	1,682,398	270,194	1,952,592	
Total Nongeneral Obligation Debt and Other Obligations	5,455,965	5,960,335	400,983	6,361,318	
Total Tax-Supported Debt and Other Obligations	\$ 7,460,430	\$ 7,272,506	\$ 578,097	\$ 7,850,603	

(1) These amounts are reported as notes payable on the higher education institutions' financial statements.

(2) Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Governmental Activities include internal service funds.



STATISTICAL SECTION

The financial presentations included in this section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

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These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and well-being have changed over time.	
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These schedules contain information to help the reader assess the factors affecting the Commonwealth's ability to generate its income taxes.	
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These schedules present information to help the reader assess the affordability of the Commonwealth's current levels of outstanding debt and the Commonwealth's ability to issue debt in the future.	
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These schedules contain information about the Commonwealth's operations and resources to help the reader understand how the Commonwealth's financial information relates to the services the Commonwealth provides and the activities it performs.	
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Commonwealth implemented GASB Statement No. 34, <i>Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments</i> , in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.	



Financial Trends

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis
General Governmental Revenue by Source and Expenditures by Function (1)

For Fiscal Year Ended June 30
(Dollars in Millions)

	2008	2007	2006	2005
Tax Revenues:				
Individual and Fiduciary Income	\$ 10,084	\$ 9,629	\$ 9,236	\$ 8,344
Sales and Use	3,820	3,760	3,682	3,569
Motor Fuels	924	930	902	912
Corporation Income	767	889	869	644
Public Service Corporations	106	89	91	89
Motor Vehicle Sales and Use	534	588	593	599
Gross Premiums of Insurance Companies	397	385	374	374
Alcoholic Beverage Sales Tax	106	100	94	89
Deeds, Contracts, Wills, and Suits	457	584	696	597
Beer and Beverage Excise	44	44	44	43
Estate	136	140	167	161
Tobacco Products	183	188	189	122
Bank Stock	14	13	12	10
Wine and Spirits / ABC Liter	19	18	16	14
Other Taxes	68	79	78	71
Total Tax Revenues	17,659	17,436	17,043	15,638
Other Revenues:				
Federal and Other Grants, Donations, and Federal				
Revenue Sharing	6,627	6,204	5,958	5,627
Institutional Revenue	390	360	343	324
Sales of Property and Commodities	29	24	32	37
Rights and Privileges	946	826	816	758
Interest, Dividends, and Rents	452	532	256	204
Fines, Forfeitures, Costs, Penalties and Escheats	394	334	279	317
Assessments - Special Services	109	110	103	105
Other Revenues	645	558	634	685
Total Other Revenues	9,592	8,948	8,421	8,057
Total Revenues	\$ 27,251	\$ 26,384	\$ 25,464	\$ 23,695
Percentage Increase Over Previous Year	3.3%	3.6%	7.5%	10.5%
Expenditures by Function:				
Education	\$ 8,940	\$ 8,700	\$ 7,661	\$ 7,068
Administration of Justice	2,543	2,398	2,296	2,204
Individual and Family Services	9,345	8,996	8,626	8,060
Resources and Economic Development	868	812	788	708
Transportation	3,883	3,141	3,092	3,115
General Government (2)	2,612	2,545	2,246	2,101
Enterprises	-	-	-	-
Capital Outlay	845	808	588	414
Total Expenditures	\$ 29,036	\$ 27,400	\$ 25,297	\$ 23,670
Percentage Increase Over Previous Year	6.0%	8.3%	6.9%	8.7%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) Fiscal years 2001-1999 represent basis of budgeting amounts.

(2) Beginning in 2002, General Government expenditure amounts include debt service principal retirement and interest charges.

Source: Department of Accounts

2004	2003	2002	2001	2000	1999
\$ 7,380	\$ 6,751	\$ 6,758	\$ 7,226	\$ 6,829	\$ 6,088
3,007	2,722	2,646	2,661	2,574	2,410
904	881	859	821	794	778
426	344	236	364	566	420
91	99	82	98	104	112
589	529	527	497	492	436
351	333	293	268	251	245
86	81	76	73	70	64
341	286	214	168	146	158
43	42	42	41	41	40
148	141	138	127	150	154
16	15	15	15	15	16
9	9	10	5	12	13
8	9	10	10	7	7
134	109	91	63	58	52
13,533	12,351	11,997	12,437	12,109	10,993
5,832	5,524	4,916	3,778	3,459	3,264
338	334	444	466	439	376
28	26	28	122	91	91
734	689	623	601	577	541
84	191	264	218	169	166
317	380	330	171	162	163
96	96	99	114	52	48
475	468	1,101	941	875	589
7,904	7,708	7,805	6,411	5,824	5,238
\$ 21,437	\$ 20,059	\$ 19,802	\$ 18,848	\$ 17,933	\$ 16,231
6.9%	1.3%	5.1%	5.1%	10.5%	9.5%
\$ 6,236	\$ 6,250	\$ 6,187	\$ 4,659	\$ 4,353	\$ 4,125
2,052	2,032	2,157	2,072	1,898	1,730
7,525	7,134	6,864	5,985	5,609	5,105
668	641	721	707	614	574
2,917	3,044	3,269	2,846	2,585	2,634
2,179	1,925	1,805	1,508	1,175	791
-	-	-	107	94	92
193	108	255	326	354	363
\$ 21,770	\$ 21,134	\$ 21,258	\$ 18,210	\$ 16,682	\$ 15,414
3.0%	-0.6%	16.7%	9.2%	8.2%	10.8%

Net Assets by Component (1)
Accrual Basis of Accounting

Last Seven Fiscal Years
(Dollars in Millions)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 15,241	\$ 13,835	\$ 11,637	\$ 11,830	\$ 11,097
Restricted	1,711	1,893	1,588	1,252	857
Unrestricted	482	944	2,874	841	598
Total Governmental Activities Net Assets	17,434	16,672	16,099	13,923	12,552
Business-type Activities:					
Invested in Capital Assets, Net of Related Debt	26	30	32	(132)	22
Restricted	816	872	790	600	412
Unrestricted	59	212	17	(49)	(250)
Total business-type Activities Net Assets	901	1,114	839	419	184
Primary Government:					
Invested in Capital Assets, Net of Related Debt	15,267	13,865	11,669	11,698	11,119
Restricted	2,528	2,765	2,378	1,852	1,269
Unrestricted	540	1,156	2,891	792	348
Total Primary Government Net Assets	\$ 18,335	\$ 17,786	\$ 16,938	\$ 14,342	\$ 12,736

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

2003	2002
\$ 9,811	\$ 9,152
883	1,433
440	(134)
11,134	10,451
24	24
437	900
(290)	(108)
171	816
9,835	9,176
1,320	2,333
150	(242)
\$ 11,305	\$ 11,267

Changes in Net Assets (1)
Accrual Basis of Accounting

Last Seven Fiscal Years
(Dollars in Millions)

	2008	2007	2006	2005	2004
Expenses					
Governmental Activities:					
General Government	\$ 2,477	\$ 2,645	\$ 2,015	\$ 2,029	\$ 1,947
Education	9,303	9,542	7,926	7,269	6,497
Transportation	3,054	2,256	2,559	2,493	2,217
Resources and Economic Development	873	841	835	765	687
Individual and Family Services	9,254	9,022	8,570	7,991	7,587
Administration of Justice	2,615	2,659	2,493	2,262	2,126
Interest on Long-term Debt	205	203	209	167	172
Total Governmental Activities Expenses	27,781	27,168	24,607	22,976	21,233
Business-type Activities:					
State Lottery	936	929	908	908	846
Virginia College Savings Plan	244	180	238	311	4
Pocahontas Parkway	-	-	-	39	37
Unemployment Compensation	433	382	339	359	485
Alcoholic Beverage Control	457	434	408	-	-
Local Choice Health Care	202	179	165	-	-
Other	118	109	147	653	611
Total Business-type Activities Expenses	2,390	2,213	2,205	2,270	1,983
Total Primary Government Expenses	\$ 30,171	\$ 29,381	\$ 26,812	\$ 25,246	\$ 23,216
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 244	\$ 216	\$ 251	\$ 258	\$ 224
Education	379	350	311	272	228
Transportation	709	583	601	537	518
Resources and Economic Development	297	299	280	241	226
Individual and Family Services	389	370	394	398	394
Administration of Justice	387	292	286	294	346
Operating Grants and Contributions	6,067	5,870	5,671	5,262	5,312
Capital Grants and Contributions	1,152	851	707	578	734
Total Governmental Activities Program Revenues	9,624	8,831	8,501	7,840	7,982
Business-type Activities:					
Charges for Services:					
State Lottery	1,389	1,366	1,367	1,334	1,262
Virginia College Savings Plan	70	328	272	379	109
Pocahontas Parkway	-	-	-	10	7
Unemployment Compensation	350	438	543	539	445
Alcoholic Beverage Control	552	525	497	-	-
Local Choice Health Care	216	207	186	-	-
Other	129	127	125	747	684
Operating Grants and Contributions	39	36	27	19	17
Total Business-type Activities Program Revenue	2,745	3,027	3,017	3,028	2,524
Total Primary Government Program Revenues	\$ 12,369	\$ 11,858	\$ 11,518	\$ 10,868	\$ 10,506
Net (Expense)/Revenue					
Governmental Activities	\$ (18,157)	\$ (18,337)	\$ (16,106)	\$ (15,136)	\$ (13,251)
Business-type Activities	355	814	812	758	541
Total Primary Government Net Expense	\$ (17,802)	\$ (17,523)	\$ (15,294)	\$ (14,378)	\$ (12,710)

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

2003	2002
\$ 1,654	\$ 1,603
6,484	6,406
2,210	2,195
669	771
7,153	6,919
2,115	2,323
189	224
20,474	20,441
759	743
408	259
37	25
712	656
-	-
-	-
533	477
2,449	2,160
\$ 22,923	\$ 22,601
\$ 195	\$ 183
304	292
523	469
205	190
341	1,165
321	374
4,796	3,998
779	1,188
7,464	7,859
1,136	1,108
234	160
5	-
263	158
-	-
-	-
576	522
38	278
2,252	2,226
\$ 9,716	\$ 10,085
\$ (13,010)	\$ (12,582)
(197)	66
\$ (13,207)	\$ (12,516)

Continued on next page

Changes in Net Assets (1)**Accrual Basis of Accounting** *(Continued from previous page)*

Last Seven Fiscal Years
(Dollars in Millions)

	2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Individual and Fiduciary Income	\$ 10,100	\$ 9,639	\$ 9,206	\$ 8,356	\$ 7,364
Sales and Use	3,821	3,756	3,679	3,578	3,014
Corporation Income	772	906	838	651	412
Motor Fuel	924	930	938	912	908
Motor Vehicle Sales and Use	534	588	593	599	589
Premiums of Insurance Companies	397	385	374	374	351
Public Service Corporations	106	89	91	89	92
Other Taxes	1,024	1,161	1,296	1,108	784
Unrestricted Grants and Contributions	54	50	48	53	52
Investment Earnings	348	477	221	154	25
Miscellaneous	224	154	115	291	284
Transfers	593	564	581	535	549
Contributions to Permanent and Term Endowments	-	20	-	-	-
Total Governmental Activities	18,897	18,719	17,980	16,700	14,424
Business-type Activities:					
Other Taxes	12	12	12	12	12
Investment earnings	12	11	12	10	9
Miscellaneous	1	-	1	1	-
Transfers	(593)	(563)	(581)	(535)	(549)
Special Items	-	-	164	-	-
Total Business-type Activities	(568)	(540)	(392)	(512)	(528)
Total Primary Government	\$ 18,329	\$ 18,179	\$ 17,588	\$ 16,188	\$ 13,896
Change in Net Assets					
Governmental Activities	\$ 740	\$ 381	\$ 1,873	\$ 1,564	\$ 1,173
Business-type Activities	(213)	274	421	246	13
Total Primary Government	\$ 527	\$ 655	\$ 2,294	\$ 1,810	\$ 1,186

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

2003	2002
\$ 6,816	\$ 6,714
2,736	2,659
326	240
882	854
529	526
333	293
99	82
689	602
61	60
135	201
486	165
466	424
-	-
13,558	12,820
5	3
12	14
2	2
(466)	(424)
-	-
(447)	(405)
\$ 13,111	\$ 12,415
\$ 548	\$ 238
(644)	(339)
\$ (96)	\$ (101)

Changes in Fund Balance, Governmental Funds (1)
Modified Accrual Basis of Accounting

Last Seven Fiscal Years
(Dollars in Millions)

	2008	2007	2006	2005	2004
Revenues					
Taxes	\$ 17,659	\$ 17,436	\$ 17,043	\$ 15,636	\$ 13,533
Rights and Privileges	946	826	816	758	734
Institutional Revenue	390	360	343	325	338
Interest, Dividends, Rents, and Other Investment Income (Note 1)	452	532	256	204	84
Federal Grants and Contracts	6,627	6,203	5,958	5,627	5,832
Other	1,177	1,027	1,048	1,144	916
Total revenues	27,251	26,384	25,464	23,694	21,437
Expenditures					
General Government	2,047	2,030	1,787	1,687	1,757
Education	8,940	8,700	7,661	7,068	6,236
Transportation	3,883	3,141	3,092	3,115	2,917
Resources and Economic Development	868	812	788	708	668
Individual and Family Services	9,345	8,996	8,626	8,060	7,524
Administration of Justice	2,543	2,398	2,296	2,204	2,052
Capital Outlay	845	809	588	414	193
Debt Service:					
Principal Retirement	362	322	280	249	243
Interest and Charges	203	192	179	165	179
Total Expenditures	29,036	27,400	25,297	23,670	21,769
Revenues Over (Under) Expenditures	(1,785)	(1,016)	167	24	(332)
Other Financing Sources (Uses)					
Transfers In	1,663	1,637	1,590	1,555	1,507
Transfers Out	(1,070)	(1,072)	(1,014)	(1,018)	(954)
Notes Issued	-	16	128	-	-
Insurance Recoveries	6	7	4	-	-
Capital Leases	5	4	1	1	-
Bonds Issued	416	593	584	375	-
Premium on Debt Issuance	23	40	45	84	19
Refunding Bonds Issued	59	123	205	731	186
Sale of Capital Assets	7	8	7	-	-
Payments to Refunded Bond Escrow Agents	(62)	(131)	(214)	(789)	(211)
Total Other Financing Sources (Uses)	1,047	1,225	1,336	939	547
Net Change in Fund Balances	\$ (738)	\$ 209	\$ 1,503	\$ 963	\$ 215
Debt Service as a Percentage of					
Noncapital Expenditures	2.00%	1.93%	1.86%	1.78%	1.96%

(1) Due to changes in the Commonwealth's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is only available beginning in 2002.

Source: Department of Accounts

2003	2002
\$ 12,351	\$ 11,996
689	623
334	444
191	265
5,524	4,916
971	1,558
20,060	19,802
1,549	1,483
6,250	6,187
3,044	3,269
641	721
7,134	6,864
2,032	2,157
108	255
195	156
181	166
21,134	21,258
(1,074)	(1,456)
1,643	1,542
(1,161)	(1,116)
7	-
-	-
60	4
713	196
102	4
573	-
-	-
(610)	-
1,327	630
\$ 253	\$ (826)
1.79%	1.53%

Fund Balance, Governmental Funds
Modified Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

For the Fiscal Year Ended June 30,	General Fund			All Other Governmental Funds				
	Reserved	Unreserved	Total	Reserved	Unreserved, reported in:			Total
					Special Revenue Funds	Capital Projects Funds	Permanent Funds	
2008	\$ 1,125	\$ 78	\$ 1,203	\$ 343	\$ 3,085	\$ 134	\$ 52	\$ 3,614
2007	1,420	564	1,984	377	3,060	81	53	3,571
2006	1,162	973	2,135	202	2,882	(16)	30	3,098
2005	708	521	1,229	235	2,278	(33)	28	2,508
2004	409	37	446	163	2,155	(34)	28	2,312
2003	285	(221)	64	144	2,205	113	25	2,487
2002	532	(749)	(217)	97	1,972	53	25	2,147
2001	959	(405)	554	594	1,455	35	-	2,084
2000	712	663	1,375	531	1,169	37	-	1,737
1999	591	583	1,174	491	835	44	-	1,370

Source: Department of Accounts

Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance	
	Budgetary Basis	Modified Accrual Basis
2008	\$ 2,219.8	\$ 1,202.9
2007	2,955.1	1,984.0
2006	2,890.0	2,135.5
2005	1,865.3	1,229.0
2004	1,109.6	446.2
2003	554.8	63.6
2002	632.9	(216.7)
2001	1,194.1	553.8
2000	1,855.3	1,374.6
1999	1,599.6	1,173.7

Source: Department of Accounts

Revenue Capacity

Personal Income Tax Rates

Last Ten Fiscal Years
(Dollars in Millions)

For the Fiscal Year Ended June 30,	Personal Income Tax Collections (1)	Personal Income (2)(4)	Average Effective Rate (3)
2008	\$ 10,115	\$ 333,594	3.03%
2007	9,788	318,868	3.07%
2006	9,309	301,092	3.09%
2005	8,352	285,363	2.93%
2004	7,430	264,987	2.80%
2003	6,776	248,601	2.73%
2002	6,711	240,835	2.79%
2001	7,226	235,263	3.07%
2000	6,830	219,212	3.12%
1999	6,088	201,460	3.02%

(1) Tax revenues from individual and fiduciary income tax.

(2) Personal income amounts provided by U.S. Bureau of Economic Analysis website.

(3) Average effective rate equals tax collections divided by income.

(4) Amounts for 2003-2006 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Source: Virginia Department of Taxation

Effective Tax Rates (1)

Tax Years 1998 – 2008

Income Tax Bracket	Tax Rate
\$0 - \$3,000	2.00%
\$3,000 - \$5,000	2.00% - 2.40%
\$5,000 - \$17,000	2.40% - 4.23%
\$17,000 - \$30,000	4.23% - 4.89%
\$30,000 - \$50,000	4.89% - 5.23%
\$50,000 - \$100,000	5.23% - 5.52%
Over \$100,000	5.52% up to 5.75%

(1) Amounts shown are for all filing status returns.

Source: Virginia Department of Taxation

Personal Income Tax Filers and Liability by Income Level (1)

Current Year and Ten Years Ago

Income Level	Tax Year Ended December 31, 2006				Tax Year Ended December 31, 1997			
	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
\$100,000 and higher	516,929	14.85%	\$ 5,784,086,021	63.29%	202,411	7.09%	\$ 2,012,788,766	42.43%
\$75,000 - \$99,999	294,867	8.47%	1,015,142,634	11.11%	169,774	5.94%	613,700,127	12.94%
\$50,000 - \$74,999	474,785	13.64%	1,069,495,471	11.70%	360,438	12.61%	872,970,384	18.40%
\$25,000 - \$49,999	841,150	24.16%	967,506,090	10.59%	694,478	24.30%	898,200,684	18.94%
\$10,000 - \$24,999	734,787	21.10%	285,407,576	3.12%	725,430	25.39%	323,244,541	6.81%
\$9,999 and lower	619,306	17.78%	16,977,670	0.19%	705,091	24.67%	22,613,851	0.48%
Total	3,481,824	100.00%	\$ 9,138,615,462	100.00%	2,857,622	100.00%	\$ 4,743,518,353	100.00%

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue. Tax year 2006 is the most recent year for which data are available.

Source: Virginia Department of Taxation

Personal Income by Industry (1)

Last Ten Fiscal Years
(Dollars in Millions)

	2008	2007	2006 (4)	2005 (4)	2004 (4)
Farm Earnings	\$ 337	\$ 476	\$ 360	\$ 631	\$ 547
Agricultural/Forestry, Fishing, and Other	323	319	309	294	288
Mining	1,431	1,303	1,200	1,033	957
Construction	15,024	16,192	16,630	15,322	13,960
Manufacturing	18,251	18,771	17,926	17,857	16,992
Transportation, Warehousing, Information and Public Utilities	18,367	17,876	17,547	17,426	16,770
Wholesale Trade	9,628	9,529	8,928	8,379	8,003
Retail Trade	13,669	13,670	13,338	12,917	12,301
Finance, Insurance, Real Estate, Rental and Leasing	19,176	19,340	19,174	18,715	16,538
Services	98,900	94,592	86,075	79,924	73,124
Federal, Civilian	20,499	18,740	18,083	17,004	16,667
Military	15,666	15,327	14,557	13,523	12,915
State and Local government	28,445	27,270	25,926	23,980	22,237
Other (2)	73,878	65,463	61,039	58,358	53,688
Total Personal Income	\$ 333,594	\$ 318,868	\$ 301,092	\$ 285,363	\$ 264,987
Average Effective Rate (3)	3.03%	3.07%	3.09%	2.93%	2.80%

(1) Personal income figures for 2008 are estimated.

(2) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

(3) The total direct rate for personal income is not available. Average effective rate equals tax collections divided by income.

(4) Amounts for 2003-2006 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Source: U.S. Bureau of Economic Analysis

2003 (4)	2002	2001	2000	1999
\$ 463	\$ 358	\$ 457	\$ 532	\$ 361
288	280	1,047	973	831
785	722	1,030	1,088	875
12,102	11,805	11,441	10,561	9,334
16,757	17,026	19,309	18,603	17,827
15,702	16,247	12,488	12,241	10,683
7,373	7,127	9,216	9,184	8,249
11,684	11,447	14,334	13,638	12,860
15,617	14,764	14,655	12,196	11,426
66,638	63,862	59,625	52,245	45,719
14,421	13,913	12,774	12,348	11,586
11,977	10,670	9,475	9,023	8,484
20,713	19,998	19,077	18,226	16,618
54,081	52,616	50,335	48,354	46,607
<u>\$ 248,601</u>	<u>\$ 240,835</u>	<u>\$ 235,263</u>	<u>\$ 219,212</u>	<u>\$ 201,460</u>
2.73%	2.79%	3.07%	3.12%	3.02%

Taxable Sales by Business Class (1) (3)

Last Ten Calendar Years
(Dollars in Millions)

	2007	2006	2004	2003	2002
Apparel	\$ 5,191	\$ 4,917	\$ 4,087	\$ 3,719	\$ 3,579
Automotive	2,563	2,413	5,146	4,810	4,487
Food	22,502	19,943	21,931	20,887	19,937
Furniture, Home Furnishings, and Equipment	3,448	3,684	6,015	5,666	5,208
General Merchandise	19,574	17,104	13,312	12,686	12,117
Lumber, Building Materials and Supply	9,354	8,929	9,006	7,431	6,979
Fuel	1,729	1,778	488	487	392
Machinery, Equipment and Supplies	238	213	3,581	3,151	3,001
Miscellaneous	18,301	18,355	14,914	13,297	12,466
Hotels, Motels, Tourist Camps, etc.	3,079	3,003	2,354	2,307	2,213
Alcoholic Beverage	487	456	409	483	186
Other Miscellaneous and Unidentifiable	5,577	8,683	48	49	80
Total	\$ 92,043	\$ 89,478	\$ 81,291	\$ 74,973	\$ 70,645
Direct Sales Tax Rate (2)	5.0%	5.0%	4.5%	4.5%	4.5%

(1) Retail sales information is available only on a calendar-year basis.

(2) Effective September 1, 2004, the sales tax rate increased from 4.5 percent to 5.0 percent.

(3) Data from tax year 2005 is not available. Beginning with the third quarter of tax year 2005, business classification categories provided by the Department of Taxation changed to reflect NAICS codes. Consequently, the first half of tax year 2005 information is not available in a comparable form to the second half of tax year 2005. Files from before the third quarter of tax year 2005 will never be directly comparable with files from the third quarter of tax year 2005 and thereafter.

Source: Department of Taxation

2001	2000	1999	1998	1997
\$ 3,434	\$ 3,503	\$ 3,294	\$ 3,040	\$ 2,902
3,470	3,297	3,240	3,044	2,966
19,378	19,014	18,515	17,379	17,055
5,006	5,255	5,188	4,470	4,058
12,472	12,693	10,892	10,546	9,819
6,778	6,441	6,276	5,916	5,840
458	533	448	416	442
3,112	3,427	3,014	2,800	2,574
12,051	11,732	10,611	9,998	9,067
2,157	2,392	2,258	2,164	2,015
342	298	278	279	251
67	75	54	62	59
<u>\$ 68,725</u>	<u>\$ 68,660</u>	<u>\$ 64,068</u>	<u>\$ 60,114</u>	<u>\$ 57,048</u>
4.5%	4.5%	4.5%	4.5%	4.5%

Sales Tax Revenue by Business Class (1)

Tax Year 2007 and Nine Years Ago

	Tax Year Ended December 31, 2007				Tax Year Ended December 31, 1998			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Apparel	4,585	4.06%	\$ 5,191,205,908	5.64%	6,230	4.36%	\$ 3,039,503,697	5.06%
Automotive	3,497	3.10%	2,562,657,432	2.78%	12,513	8.76%	3,044,267,551	5.06%
Food	19,671	17.42%	22,502,471,000	24.45%	26,480	18.53%	17,379,459,468	28.91%
Furniture, Home Furnishings, and Equipment	4,650	4.12%	3,448,082,383	3.75%	10,446	7.31%	4,470,492,002	7.44%
General Merchandise	16,858	14.92%	19,574,196,575	21.27%	10,409	7.29%	10,545,569,602	17.54%
Lumber, Building Materials, and Supply	6,305	5.58%	9,353,514,015	10.16%	5,403	3.78%	5,915,943,722	9.85%
Fuel	3,417	3.03%	1,729,053,957	1.88%	1,016	0.71%	415,515,539	0.69%
Machinery, Equipment, and Supply	172	0.15%	237,623,481	0.26%	9,089	6.36%	2,800,318,375	4.66%
Miscellaneous	41,885	37.08%	18,300,785,373	19.88%	58,585	41.00%	9,997,809,640	16.63%
Hotels, Motels, Tourist Camps, etc.	2,176	1.93%	3,079,199,269	3.34%	2,107	1.47%	2,163,885,408	3.60%
Alcoholic Beverage	326	0.29%	487,264,337	0.53%	248	0.18%	278,537,133	0.46%
Other Miscellaneous and Unidentifiable	9,402	8.32%	5,577,175,217	6.06%	355	0.25%	62,509,226	0.10%
Total	112,944	100.00%	\$ 92,043,228,947	100.00%	142,881	100.00%	\$ 60,113,811,363	100.00%

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

Source: The Virginia Department of Taxation

Debt Capacity

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities		Total Primary Government	Debt as a Percentage of Personal Income (1)	Amount Per Capita (2)
	General Obligation Bonds	Non- General Obligation Bonds	Other Long-term Obligations	Non-General Obligation Bonds	Other Long-term Obligations			
2008	\$ 1,001,989	3,345,259	1,614,506	-	2,257,431	8,219,185	2.46%	1,059
2007	900,329	3,363,275	1,487,825	-	2,071,852	7,823,281	2.45%	1,017
2006	716,498	3,231,917	1,399,553	-	1,992,856	7,340,824	2.44%	963
2005	657,032	2,930,344	1,185,757	463,357	1,835,982	7,072,472	2.48%	941
2004	536,386	2,797,410	1,278,534	447,372	1,587,835	6,647,537	2.51%	894
2003	589,618	2,974,706	1,148,633	432,563	1,633,519	6,779,039	2.73%	932
2002	579,297	2,377,041	965,426	418,850	1,263,967	5,604,581	2.33%	795
2001	622,954	2,286,636	856,026	405,460	23,039	4,194,115	1.78%	600
2000	665,859	1,993,609	776,812	393,238	10,984	3,840,502	1.75%	554
1999	707,966	1,702,846	727,269	381,706	9,712	3,529,499	1.75%	515

(1) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.

(2) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2008 population was estimated.

Source: Department of Accounts

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	General Bonded Debt Outstanding [1]						Percentage of Tax Revenues [5]	Amount Per Capita [6]
	Governmental			Higher Education		Total		
	9(a) [2]	9(b) [3]	9(c) [4]	9(c)				
2008	\$ -	\$ 935,105	\$ 66,884	\$ 487,296	\$ 1,489,285	14.72%	\$ 192	
2007	-	821,563	78,766	411,842	1,312,171	13.41%	171	
2006	-	626,124	90,374	325,969	1,042,467	11.20%	137	
2005	-	555,447	101,585	296,963	953,995	11.42%	127	
2004	-	428,891	107,495	316,923	853,309	11.48%	115	
2003	-	471,118	118,500	349,185	938,803	13.86%	129	
2002	-	451,700	127,597	376,462	955,759	14.24%	136	
2001	-	486,310	136,644	345,154	968,108	13.40%	138	
2000	-	520,705	145,154	380,332	1,046,191	15.32%	151	
1999	-	534,765	153,201	387,963	1,075,929	17.67%	157	

[1] Amounts are net of unamortized premiums, discounts, deferrals on debt defeasance, and/or issuance expenses.

[2] Section 9(a) bonds have been issued to redeem previous debt obligations.

[3] Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations.

[4] Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

[5] Individual and fiduciary Income tax collections were used for this calculation.

[6] Population statistics used in this calculation are provided by the Department of Taxation. Fiscal Year 2008 population was estimated.

Source: Department of Accounts

Computation of Legal Debt Limit and Margin

Last Ten Fiscal Years
(Dollars in Thousands)

Tax Revenues Required for Computation	2008	2007	2006	2005
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	\$ 10,114,833	\$ 9,787,592	\$ 9,308,570	\$ 8,352,366
Corporate Income Tax [2]	807,852	879,575	871,554	616,690
State Sales and Use Tax [3]	3,302,181	3,274,286	3,029,949	3,093,725
Total	\$ 14,224,866	\$ 13,941,453	\$ 13,210,073	\$ 12,062,781
Average Tax Revenues (Three Fiscal Years)	\$ 13,792,131	\$ 13,071,436	\$ 11,906,836	\$ 10,655,153
Section 9(a) [2] General Obligation Debt Limit [4]				
Debt Issuance Limit				
(30% of 1.15 times annual tax revenues)	\$ 4,907,579	\$ 4,809,801	\$ 4,557,475	\$ 4,161,659
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2]				
General Obligation Bonds	\$ 4,907,579	\$ 4,809,801	\$ 4,557,475	\$ 4,161,659
Debt Applicable to Limit as a % Limit	0.00%	0.00%	0.00%	0.00%
Section 9(b) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 15,860,950	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	916,483	797,300	596,464	520,655
Transportation Facilities Refunding Bonds [5] [6]	18,622	24,263	29,660	34,792
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(b)				
General Obligation Bonds	\$ 14,925,845	\$ 14,210,588	\$ 13,066,738	\$ 11,697,979
Debt Applicable to Limit as a % Limit	5.90%	5.47%	4.57%	4.53%
Additional Section 9(b) Debt Borrowing Restriction:				
Four-year Authorization Restriction (25% of 9(b) Debt Limit)	\$ 3,965,238	\$ 3,758,038	\$ 3,423,215	\$ 3,063,356
Less 9(b) Debt authorized in past three fiscal years	-	-	-	1,019,529
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)	\$ 3,965,238	\$ 3,758,038	\$ 3,423,215	\$ 2,043,827
Section 9(c) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 15,860,950	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	7,590	8,804	9,939	11,040
Transportation Facilities Bonds [6]	59,294	69,962	80,435	90,545
Higher Educational Institution Bonds [6]	487,296	411,842	325,969	296,963
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(c)				
General Obligation Bonds	\$ 15,306,770	\$ 14,541,543	\$ 13,276,519	\$ 11,854,878
Debt Applicable to Limit as a % Limit	3.49%	3.26%	3.04%	3.25%

**Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

- [1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*. Fiscal year 2004 restated to reflect actual data as reported in the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Funds of each respective year's CAFR.
- [2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia*.
- [3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia*, less taxes identified in Sections 58.1-605 and 58.1-638.
- [4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the *Constitution of Virginia*.
- [5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
- [6] Net of unamortized premium, discount and deferral on debt defeasance.

Sources: Department of Accounts
Department of Treasury

Fiscal year ended June 30,

2004	2003	2002	2001	2000	1999
\$ 7,430,365	\$ 6,775,746	\$ 6,710,857	\$ 7,226,407	\$ 6,829,587	\$ 6,087,888
434,493	343,319	290,215	363,757	565,909	420,421
2,582,797	2,335,958	2,429,845	2,272,954	2,201,533	2,065,265
\$ 10,447,655	\$ 9,455,023	\$ 9,430,917	\$ 9,863,118	\$ 9,597,029	\$ 8,573,574
\$ 9,777,865	\$ 9,583,019	\$ 9,630,355	\$ 9,344,574	\$ 8,648,816	\$ 7,778,856
\$ 3,604,441	\$ 3,261,983	\$ 3,253,666	\$ 3,402,776	\$ 3,310,975	\$ 2,957,883
-	-	-	-	-	-
\$ 3,604,441	\$ 3,261,983	\$ 3,253,666	\$ 3,402,776	\$ 3,310,975	\$ 2,957,883
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 11,244,545	\$ 11,020,472	\$ 11,074,908	\$ 10,746,260	\$ 9,946,139	\$ 8,945,684
389,219	422,399	399,005	429,725	460,405	470,930
39,672	48,719	52,695	56,585	60,300	63,835
-	-	-	-	-	20,000
\$ 10,815,654	\$ 10,549,354	\$ 10,623,208	\$ 10,259,950	\$ 9,425,434	\$ 8,390,919
3.81%	4.27%	4.08%	4.53%	5.24%	6.20%
\$ 2,811,136	\$ 2,755,118	\$ 2,768,727	\$ 2,686,565	\$ 2,486,535	\$ 2,236,421
1,019,529	1,019,529	1,019,529	-	-	-
\$ 1,791,607	\$ 1,735,589	\$ 1,749,198	\$ 2,686,565	\$ 2,486,535	\$ 2,236,421
\$ 11,244,545	\$ 11,020,472	\$ 11,074,908	\$ 10,746,260	\$ 9,946,139	\$ 8,945,684
6,367	7,199	9,605	10,325	11,010	11,660
101,128	111,301	117,992	126,319	134,144	141,541
316,923	349,185	376,462	345,154	380,332	387,963
-	-	-	-	-	13,000
\$ 10,820,127	\$ 10,552,787	\$ 10,570,849	\$ 10,264,462	\$ 9,420,653	\$ 8,391,520
3.77%	4.24%	4.55%	4.48%	5.28%	6.19%

Schedule of Pledged Revenue Bond Coverage
Primary Government 9(d) General Long-term Debt

Last Ten Fiscal Years

(Dollars in Thousands except Coverage)

	For the Fiscal				Net	Debt Service			
	Year Ended	Beginning	Pledged	Operating	Available	Requirements (3) (4)			
	June 30,	Balance	Revenues (1)	Expenses (2)	for	Principal	Interest	Coverage	
					Debt Service				
Primary Government Revenue Bonds:									
Pocahontas Parkway Association (4)	2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
(Series 1998A-D and 2001A)	2007	-	-	-	-	-	-	-	-
	2006	(140,294)	11,680	30,214	(158,828)	-	-	-	-
	2005	(115,062)	10,344	29,675	(134,393)	-	9,121	(14.73)	
	2004	(75,338)	7,674	27,505	(95,169)	-	9,121	(10.43)	
	2003	(62,755)	5,111	27,104	(84,748)	-	9,121	(9.29)	
	2002	(28,271)	80	25,023	(53,214)	-	9,129	(5.83)	
	2001	(13,052)	-	24,618	(37,670)	-	9,152	(4.12)	
	2000	(3,259)	-	17,385	(20,644)	-	9,287	(2.22)	
	1999	-	-	15,544	(15,544)	-	5,728	(2.71)	

(1) Pocahontas Parkway bonds are payable solely from toll revenues.

(2) Operating expenses are exclusive of principal and interest.

(3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.

(4) Ten years of data not available. This entity was established in 1999. The toll rights owned by the Pocahontas Parkway Association were sold on June 29, 2006 and the association was relieved of any outstanding debt and has no bonds outstanding at June 30, 2007 to report.

Demographic and Economic Information

Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population In Thousands (1)	Personal Income In Thousands (2)(4)	Per Capita Income (3)	Public Primary and Secondary School Enrollment	Unemployment Rate
2008	7,758	\$ 333,594,000	\$ 43,000	1,232,436	3.4 %
2007	7,694	318,868,000	41,444	1,221,939	3.1 %
2006	7,623	301,092,000	39,498	1,214,737	3.2 %
2005	7,512	285,363,000	37,988	1,185,612	3.5 %
2004	7,432	264,987,000	35,655	1,165,905	3.7 %
2003	7,275	248,601,000	34,172	1,156,471	4.0 %
2002	7,051	240,835,000	34,156	1,143,018	4.1 %
2001	6,995	235,263,000	33,633	1,130,446	2.4 %
2000	6,929	219,212,000	31,639	1,121,780	2.7 %
1999	6,858	201,460,000	29,376	1,110,843	2.8 %

(1) Population figure for fiscal year 2008 is estimated.

(2) Personal income amounts were revised in fiscal year 2006.

(3) Personal income amount for fiscal year 2008 is estimated.

(4) Amounts for fiscal years 2003-2006 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources: Virginia Department of Education
Virginia Department of Taxation
Virginia Employment Commission
U.S. Bureau of Economic Analysis

Principal Employers

Current Year and Nine Years Ago

<u>Employer</u>	<u>2007 Rank</u>	<u>1998 Rank</u>
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
U. S. Postal Service	4	4
Newport News Shipbuilding	5	6
Food Lion	6	5
Sentara Healthcare	7	9
County of Fairfax	8	8
City of Virginia Beach Schools (1)	9	-
Inova Fairfax Hospital (1)	10	-

(1) Previous ranking not available.

(2) The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.

Source: Virginia Employment Commission (2)



Operating Information

State Employees by Function (1)

Last Ten Fiscal Years

For the Fiscal Year Ended June 30,	2008	2007	2006	2005	2004
General Government					
Virginia Information Technologies Agency	377	400	453	1,068	593
Department of Taxation	1,014	927	1,031	1,026	1,047
Department of General Services	624	634	621	603	625
All other	1,960	1,915	1,778	1,775	1,730
Education					
Colleges and Universities	48,032	48,004	47,371	44,725	42,817
All other	3,806	3,811	3,813	3,555	3,528
Transportation					
Department of Transportation	8,680	8,824	9,338	9,401	9,541
Department of Motor Vehicles	2,001	2,044	2,102	2,056	2,059
All other	239	231	110	129	145
Resources and Economic Development					
Department of Conservation & Recreation	960	753	709	937	927
Department of Environmental Quality	842	882	870	862	837
All other	3,369	3,412	3,263	3,161	3,244
Individual and Family Services					
Department of Health	3,800	3,943	3,817	3,646	3,674
Mental Health Agencies	8,341	8,361	7,679	6,609	6,708
All other	5,550	5,540	6,424	7,868	7,850
Administration of Justice					
Department of State Police	2,668	2,700	2,604	2,607	2,626
Department of Juvenile Justice	2,457	2,295	2,312	2,222	2,200
Correctional Facilities	10,802	10,456	10,368	10,398	10,286
All other	6,441	6,454	5,382	5,036	5,098
Business-Type Activities					
Department of Alcoholic Beverage Control	2,472	1,938	1,851	1,726	1,656
State Lottery	241	265	261	271	304
All other	50	48	257	257	240
State Total (2)	<u>114,726</u>	<u>113,837</u>	<u>112,414</u>	<u>109,938</u>	<u>107,735</u>

Sources - Department of Human Resource Management and Department of Personnel and Training

(1) Includes salaried and wage employees but excludes adjunct faculty.

(2) Totals have been rounded and may vary slightly from the Department of Human Resource Management and Department of Personnel and Training reports.

Sources: Department of Human Resource Management
Department of Personnel and Training

2003	2002	2001	2000	1999
347	342	338	329	325
972	930	963	927	889
583	612	583	593	606
1,944	1,786	1,826	1,778	1,690
41,729	41,717	41,178	44,150	43,657
3,735	3,905	3,960	3,889	3,640
10,204	10,462	10,646	10,422	10,090
1,861	2,214	2,193	2,130	1,991
185	178	668	207	211
847	963	956	651	703
827	846	833	818	803
3,096	3,245	3,319	3,291	3,265
3,657	3,646	3,629	3,784	3,875
6,810	6,930	6,835	6,901	6,995
7,395	7,317	7,408	7,305	7,287
2,499	2,504	2,518	2,536	2,506
2,197	2,353	2,420	2,460	2,486
10,244	10,906	11,328	11,258	11,281
4,880	5,062	5,151	5,470	5,183
1,565	1,636	1,530	1,369	1,330
317	319	313	314	314
237	261	231	223	202
106,131	108,134	108,826	110,805	109,329

Operating Indicators by Function

Last Two Fiscal Years

	Fiscal Year	
	2008	2007
General Government		
Virginia Department of Taxation		
Number of Returns Processed (Calendar Year) (1)	Not yet available	6,746,596
Department of Accounts		
Number of Payments Processed Via Check	2,597,746	1,431,918
Number of Payments Processed Electronically	8,065,038	2,861,979
Percentage Processed Electronically	75.60%	66.70%
Education		
State Council of Higher Education		
Number of Students Enrolled at State-supported Colleges and Universities	449,671	428,642
Department of Education		
Number of Public Primary and Secondary School Enrollment	1,232,436	1,221,939
Resources and Economic Development		
Department of Environmental Quality		
Number of Permits Issued	2,389	3,491
Number of Inspections Conducted	11,721	11,730
Department of Housing and Community Development		
Number of Housing Units Improved to Define Standards through Housing Programs	3,248	3,392
Department of Agriculture & Consumer Services		
Number of Food Inspections Conducted	17,551	14,623
Number of Weights/Measure Equipment Inspected	84,481	77,921
Department of Forestry		
Number of Firefighters Trained in Forest Fire Control	1,200	1,300
Individual and Family Services		
Comprehensive Services for At-Risk Youth and Families		
Number of Youth Served	19,658	18,498
Department of Medical Assistance Services		
Number of Medicare Recipients (1)	Not available	1,039,059
Number of Medicaid Recipients	818,452	805,458
Department of Mental Health, Mental Retardation, & Substance Abuse Services (2)		
Number of Patients Served	2,915	3,003
Number of Beds Used	2,891	2,988
Department of Social Services		
Average Number of Households Receiving Food Stamps	240,821	228,116
Number of Households Receiving Child Support Enforcement Assistance	359,977	363,272
Department of Health		
Number of WIC Participants	258,593	270,918
Number of Childhood Immunizations Administered	1,455,166	1,076,412

Continued on next page

(1) Information is not yet available for fiscal year 2008.

(2) This agency is structured to provide services primarily in a community setting. Although they have a significant amount of capital and operating costs in facility operations, inpatient treatment methodology is being deemphasized over time. Their inpatient census will continue to decline in the future. Over \$250 million of community funding (state and federal dollars) each fiscal year supports 40 community services boards across the Commonwealth. These entities serve approximately 300,000 Virginians each year.

	Fiscal Year	
	2008	2007
Administration of Justice		
Supreme Court		
Number of Criminal Trials (calendar year)	741,701	733,714
Number of Civil Trials (calendar year)	1,366,596	1,335,192
Number of Traffic Hearings (calendar year)	2,019,753	1,973,047
Compensation Board		
Number of Constitutional Officers Receiving Financial Support	649	650
Dept of State Police		
Number of Traffic Citations Issued (calendar year)	652,837	646,166
Number of Arrests (calendar year)	22,475	23,348
Department of Corrections		
Number of Inmates	33,157	31,647
Business-type Activities		
State Lottery Department		
Number of Plays Sold - Pick 3	256,605,411	265,398,821
Number of Plays Sold - Pick 4	183,990,214	179,922,714
Number of Plays Sold - Cash 5	29,022,974	27,520,707
Number of Plays Sold - Megamillions	166,144,927	130,299,581
Number of Plays Sold - Win for Life	37,717,958	41,323,625
Number of Plays Sold - Millionaire Raffle	8,798,720	13,005,307
Number of Plays Sold - Fast Play Bingo	9,229,805	6,600,000
Number of Tickets Sold - Instant Tickets	694,902,491	698,271,837
Virginia College Savings Plan		
Number of Prepaid Tuition Contractholders	71,812	71,382
Virginia Employment Commission		
Number of Individuals Receiving Unemployment Benefits	122,144	106,554
New Unemployment Benefit Claims	279,939	260,804

Sources: Compensation Board
Comprehensive Services for At-Risk Youth and Families
Department of Agriculture and Consumer Services
Department of Education
Department of Environmental Quality
Department of Forestry
Department of Health
Department of Housing and Community Development
Department of Medical Assistance Services
Department of Mental Health, Mental Retardation, and Substance Abuse Services
Department of Social Services
Department of State Police
Department of Transportation
State Council of Higher Education
State Lottery Department
Supreme Court
Virginia College Savings Plan
Virginia Employment Commission

Capital Asset Statistics by Function

Last Two Fiscal Years

	Fiscal Year	
	2008	2007
General Government		
Department of General Services		
Number of Buildings	48	47
Total Square Footage of Buildings	4,409,026	4,358,746
Vehicles	13,262	12,779
Education		
State Council of Higher Education		
Campuses of In-state Institutions	258	207
Campuses of Out-of-state Institutions	67	63
Transportation		
Department of Transportation		
Bridges Maintained	12,603	12,603
State Maintained Highway Lane Miles	70,066	70,066
Vehicles	9,060	9,443
Number of Buildings (1)	3,562	3,595
Total Square Footage of Buildings	7,734,267	7,750,199
Resources and Economic Development		
Department Conservation & Recreation		
State Parks	37	37
Acres of State Parks (in thousands)	68	67
Natural Area Preserves	38	35
Acres of Natural Area Preserves (in thousands)	28	25
Historic Sites	3	3
Acres of Historic Sites (in thousands)	0.3	0.3
Number of Buildings (2)	991	991
Total Square Footage of Buildings	1,223,427	1,223,427
Department of Forestry		
State Forests	19	17
Buildings	295	295
Total Square Footage of Buildings	600,602	600,602
Individual and Family Services		
Department of Mental Health, Mental Retardation		
Number of Buildings	441	449
Total Square Footage of Buildings	6,037,953	6,161,843
Administration of Justice		
Department of State Police		
Number of Stations	66	66
Number of Buildings	145	143
Total Square Footage of Buildings	550,736	526,617
Department of Corrections		
Number of Buildings	1,817	1,809
Total Square Footage of Buildings	11,963,087	11,787,810
Business-type Activities		
Department of Alcoholic Beverage Control		
Number of Buildings	22	21
Total Square Footage of Buildings	787,348	784,548

(1) Includes storage sheds.

(2) Includes cabins.

Sources: Department of Conservation and Recreation
 Department of Forestry
 Department of General Services
 Department of State Police
 Department of Transportation
 Department of Treasury
 State Council of Higher Education

Employees of the Department of Accounts

Marla L. Anderson — Debra B. Bartnikas — Kimberly E. Barton — Kristen Bolden — Wanda P. Breeden — Jeffrey M. Breen — Donna R. Brown — Rebecca G. Burton — Deborah E. Butts — John C. Campbell, III — Alice H. Cannon — Cheryl D. Chandler — Lisa A. Christian — Robert Clay — Susan Cole — Kathleen H. Corker — Terri P. Cox — Janet L. Crawford — Monica T. Darden — Tamara L. Davidson — Christopher W. DiRienzo — Valerie Dunmars-Hurdle — Robert D. Eddleton — Ervin L. Farmer — James W. Fisher — Melinda P. Fleet — Gwendolyn T. Fleming — Kevita Fleming — Barbara Ford — Amanda M. Furr — Wayne A. Gabbert — Jeffrey R. Gargiulo — Lora L. George — Cathy P. Gravatt — Frances L. Grimm — Shannon Gulasky — Denise L. Halderman — Charla R. Hamaker — Luc T. Hang — Elaine Hill — Kevin Howard — Rhonda S. Hutsell — Ashlyn S. Jinnette — Randall Johnson — Connie T. Jones — Diana W. Jones — Shirleen Jones — Joseph A. Kapalewski — Jane V. Kearney — Bonita B. Keller — Yiran Kirtner — Martha A. Laster — Sharon H. Lawrence — Verná P. Left — Gregory T. Lehman — Betsy M. Lewerenz — Steven W. Lewerenz — Fay G. Lion — Jeremy B. Lis — Susan M. Livesay — Heather R. Longest — Lewis R. McCabe, Jr. — Cathy C. McGill — Marquia McLendon — Marianne P. Madison — Nancy W. Martin — Cynthia D. Matthews — William E. Matthews — Thomas E. Mays — Robert H. Meinhard — Edward F. Miller — Rebecca E. Mills — James C. Moore — Jacqueline B. Morris — Sandra Muir — Lucy M. Mungle — Mark J. Murray — Ronald D. Necessary — Douglas N. Page — Sharon Partee — Richard Perconte — Richard E. Phillips — Rom L. Potter — Donna K. Rabender — Laura A. Rice — Michael E. Rider — Margaret E. Ridley — Norma J. Roberts — John R. Rodgers — Myra K. Romanow — Catherine A. Royal — Tim Sadler — Richard L. Salkeld — Rodney S. Seligman — Andrew Short — Gladys P. Slate — Felecia S. Smith — Valerie J. Smith — John J. Sotos — John A. Spooner — Fredrica J. Spurlock — Matthew B. Teasdale — Joseph J. Tellis — Evelyn Tippet — M. Christy Tuck — Jean S. Turlington — David A. Von Moll — John Waxmunski — Beverly Wells — Nicholas Whitby — Kimberly N. White — Matthew Wiggins — Kimberly M. Williams — Penny B. Williams — Raymond L. Williams — Sherrie L. Winston — Kim G. Wood — Gemma Yu-Meade



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