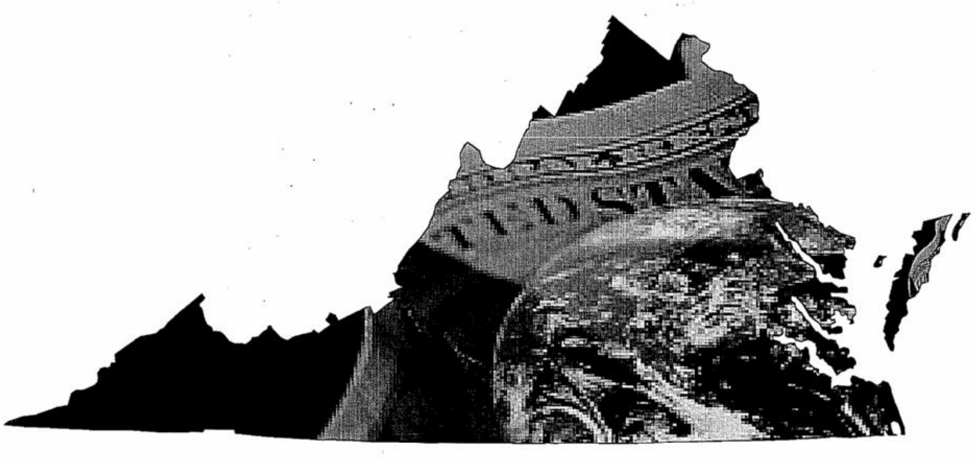
VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

AUDITED BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006



VIRGINIA
Is For Business

Virginia Economic Development Partnership
Audited Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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INTRODUCTORY SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
Richmond, Virginia

APPOINTED OFFICIALS
As of June 30, 2006

Board of Directors

Charles H. Majors, Chair
George B. Cartledge, III, Vice-Chair

Stephen R. Adkins	John F. Malbon
Mary Rae Carter	L. C. Martin
W. Clay Campbell	Roger F. Naill
Russell B. Clark	David Oliver
J. Thomas Fowlkes	McKinley L. Price
Jake Gosa	Ike Prillaman
F. Randolph Jones	Samuel A. Schreiber
John A. Mahone	James E. Ukrop

John F. Ware

The Honorable Patrick O. Gottschalk, Ex-Officio
The Honorable Jody M. Wagner, Ex-Officio

Executive Director
Jeffrey M. Anderson

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

October 24, 2006

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

Board of Directors
Virginia Economic Development Partnership

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the General Fund, a major fund, of the Virginia Economic Development Partnership, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2006, which collectively comprise the Partnership's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund, a major fund, of the Virginia Economic Development Partnership, as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages five through eight is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2006, on our consideration of the Virginia Economic Development Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Walter J. Kucharski

AUDITOR OF PUBLIC ACCOUNTS

SAH:jab

FINANCIAL SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF JUNE 30, 2006

The management of the Virginia Economic Development Partnership (Partnership) offers the readers of the Partnership's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2006. We encourage the reader to consider this information presented here in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

Government-Wide Financial Statements

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

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

The Statement of Activities presents information showing how the Partnership's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, accrued interest earned but not yet collected (revenue) or earned but unused vacation leave (expense).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Partnership, like other political subdivisions of the Commonwealth of Virginia, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial activities of the Partnership are reported in *governmental funds.*

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

Reconciliations between Government-Wide and Fund Financial Statements

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an organization's financial position. In the case of the Partnership, assets exceeded liabilities by $749,476 and $270,142 at the close of the fiscal years ended June 30, 2006, and 2005, respectively.

Net Assets

	2006	2005	Variance
Current and other assets	$ 2,699,622	$ 2,187,281	$ 512,341
Capital assets, net of depreciation	643,253	563,757	79,496
Total assets	3,342,875	2,751,038	591,837
Non-current liabilities	2,324,066	2,183,729	140,337
Other liabilities	269,333	297,167	(27,834)
Total liabilities	2,593,399	2,480,896	112,503
Net assets:			
Invested in capital assets, net of related debt	643,253	563,757	79,496
Unrestricted	106,223	(293,615)	399,838
Total net assets	$ 749,476	$ 270,142	$ 479,334

Total assets increased this fiscal year by $591,837 when compared to last year due primarily to an increase in cash balances amounting to approximately $394,000. This increase in cash was due to cash revenues exceeding cash expenditures by approximately $360,000 and the reduction of employee advances, lease hold deposits and petty cash account funding totaling $33,400. Additionally, the sum of the balances for Prepaid expenses and Other receivables increased by approximately $150,000. *Total liabilities* increased by $112,503 primarily due the Partnership's increased net pension obligation. This liability is expected to continue to increase in the coming years.

The largest component of the Partnership's *Net assets* is comprised of its *Capital assets, net of related debt*, which amounts to $643,253. These assets are used by the organization to deliver program services to its clients and consist primarily of computers and peripheral technology equipment. The Partnership considers technology a vital asset in its efforts to market Virginia and has made and will continue to make technology investments to ensure that its equipment and software are updated to take advantage of greater data handling capabilities and processing speeds.

The remainder of *Net assets*, $106,223, is classified as *unrestricted*.

Changes in Net Assets

	2006	2005	Variance
Revenues:			
Program revenues:			
Charges for services	$ 214,623	$ 253,267	$ (38,644)
General revenues:			
General Fund appropriations	16,580,956	16,334,376	246,580
Other	214,763	367,774	(153,011)
Total revenues	17,010,342	16,955,417	54,925
Expenses:			
Business Development	5,239,371	5,508,628	(269,257)
International Trade	3,043,122	2,891,970	151,152
Research	1,806,478	1,614,965	191,513
Communications and Promotions	1,508,564	2,288,130	(779,566)
Information Technology	1,719,096	1,667,392	51,704
Administration	3,014,377	2,802,705	211,672
Pass-through Payments	200,000	100,000	100,000
Total expenses	16,531,008	16,873,790	(342,782)
Increase in net assets	479,334	81,627	397,707
Beginning net assets	270,142	188,515	81,627
Ending net assets	$ 749,476	$ 270,142	$ 479,334

Net assets for the Partnership increased by $479,334 during the current fiscal year compared to a $81,627 increase in net assets in the prior fiscal year. There was little overall increase in Revenues for 2006. A modest increase in funding provided by General Fund appropriations from the COV was partially offset by a reduction in Other income. The net decrease in Expenses was the result of reductions in; the Partnership's advertising activities, promotional tour activities associated with Governor's trade missions, extended vacancies in international positions, and research expenses associated with the Virginia Commission on Military Bases. These reductions were offset by an increase of $100,000 in Pass-through payments and other increases in; Trade promotion activities, other economic research cost, Richmond offices rent and transition cost associated with the retirement of the Partnership's former Executive Director.

General Fund Budgetary Highlights

The *Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual-Cash Basis* is presented to provide information on the budget as originally prepared and the final budget on which the Partnership operated for the fiscal year. Also, the final budget is compared to the cash basis actual results by revenue source and expenditure activity.

The increase in budgeted Revenue provided by the General Fund of Commonwealth for the fiscal year ended June 30, 2006, included additional funding for a new program, Modeling and Simulation, a continuation of funding for Motorsports, and funding for increases in compensation and employer paid benefits. The budgeted expenditures exceeded the actual expenditures by approximately $1.5 million due to personnel vacancies in both domestic and the international positions mentioned above, and a general savings in marketing and research activities associated with new programs introduced by the Partnership.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes describe the nature of the Partnership's reporting entity and the relationship to the Commonwealth of Virginia as a whole; the basis on which the financial statements were prepared; and the methods used for presentation. Further, the notes provide explanations of specific accounts with significant balances.

Requests for Information

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

Basic Financial Statements

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF NET ASSETS
As of June 30, 2006

		Governmental Activities
Assets		
Cash and cash equivalents (Note 2)	$	2,189,167
Petty cash		160,872
Employee travel advances		9,242
Prepaid expenses		196,468
Other receivables		2,009
Lease deposits (Note 5)		141,864
Capital assets, net of accumulated depreciation:		
Leasehold improvements, furniture, and equipment (Note 6)		643,253
Total assets		3,342,875
Liabilities		
Accounts payable		115,352
Accrued payroll		153,981
Noncurrent liabilities due within one year		
Compensated absences (Note 8)		536,321
Noncurrent liabilities due in more than one year		
Compensated absences (Note 8)		259,293
Net pension obligation (Note 9)		1,528,452
Total liabilities		2,593,399
Net assets		
Investment in capital assets, net of related debt		643,253
Unrestricted		106,223
Total net assets	$	749,476

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities			
Business Development	$ 5,239,371		$ (5,239,371)
International Trade	3,043,122	128,140	(2,914,982)
Research	1,806,478		(1,806,478)
Communications and Promotions	1,508,564	86,483	(1,422,081)
Information Technology	1,719,096		(1,719,096)
Administration	3,014,377		(3,014,377)
Pass-through Payments	200,000		(200,000)
Total governmental activities	16,531,008	214,623	(16,316,385)
General Revenues			
Revenue provided by the General Fund of the Commonwealth (Note 4)			16,580,956
Interest revenue			127,386
Other revenue			87,377
Total general revenues			16,795,719
Increase in net assets			479,334
Net assets, July 1, 2005			270,142
Net assets, June 30, 2006			$ 749,476

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
BALANCE SHEET
GOVERNMENTAL FUND
As of June 30, 2006

		General Fund
Assets		
Cash and cash equivalents (Note 2)	$	2,189,167
Petty cash		160,872
Employee travel advances		9,242
Prepaid expenses		196,468
Other receivables		2,009
Lease deposits (Note 5)		141,864
Total assets	$	2,699,622
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$	115,352
Accrued payroll		153,981
Compensated absences		29,208
Total liabilities		298,541
Fund Balances:		
Unreserved (Note 3)		2,401,081
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		643,253
Noncurrent liabilities (compensated absences and net pension obligation) are not due and payable with current financial resources and, therefore, are not reported in the funds.		(2,294,858)
Net assets of governmental activities	$	749,476

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2006

		General Fund
Revenues		
Revenue provided by the General Fund of the Commonwealth (Note 4)	$	16,580,956
Participation fees		214,623
Interest revenue		127,386
Other revenue		87,377
Total revenues		17,010,342
Expenditures		
Business Development		5,208,812
International Trade		3,013,968
Research		1,749,943
Communications and Promotions		1,510,063
Information Technology		1,834,868
Administration		2,981,721
Pass-through Payments		200,000
Total expenditures		16,499,375
Revenues in excess of expenditures		510,967
Fund balance, July 1, 2005		1,890,114
Fund balance, June 30, 2006	$	2,401,081

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

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

Net increase in fund balance of the general fund	$	510,967
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and the effect of capital outlay decreases in the current period.		79,496
Some expenses reported in the statement of activities (compensated absences and net pension obligation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(111,129)
Change in net assets of governmental activities	$	479,334

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Variances with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue provided by the General Fund of the Commonwealth (Note 4)	$ 15,616,939	$ 16,580,956	$ 16,580,956	$ -
Participation fees	194,750	194,750	214,623	19,873
Interest revenue	50,000	50,000	127,386	77,386
Other revenue	-	-	87,269	87,269
Total revenues	15,861,689	16,825,706	17,010,234	184,528
Expenditures				
Business Development	5,290,518	5,680,628	5,228,859	451,769
International Trade	3,235,040	3,235,040	3,035,927	199,113
Research	1,895,990	1,910,990	1,746,242	164,748
Communications and Promotions	1,932,635	1,932,635	1,653,321	279,314
Information Technology	1,790,966	1,979,966	1,836,586	143,380
Administration	2,933,540	3,120,557	2,948,921	171,636
Pass-through Payments	100,000	200,000	200,000	-
Total expenditures	17,178,689	18,059,816	16,649,856	1,409,960
Revenues over (under) expenditures	(1,317,000)	(1,234,110)	360,378	1,594,488
Fund balances, July 1, 2005	1,317,000	1,234,110	2,140,767	906,657
Fund balances, June 30, 2006 (Note 3)	$ -	$ -	$ 2,501,145	$ 2,501,145

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

Notes to Financial Statements

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

The Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balances are referred to as "governmental fund" financial statements and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Partnership considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service payments and expenditures related to compensated absences are only recorded when payment is due.

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

C. Prepaid Expenses

The Partnership's prepaid expenses included amounts paid for promotional activities; advertising and other services; and portions of insurance premiums for which the economic benefits had not been received as of June 30, 2006.

D. Capital Assets

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

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

E. Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by the Partnership employees, but not taken at June 30, 2006. Compensated absences were calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." This statement requires the accrual of Social Security and Medicare taxes to be paid by the Partnership on all accrued compensated absences.

F. Budgets and Budgetary Accounting

The Partnership's budget was primarily established by the Appropriation Act as enacted by the General Assembly of Virginia for the fiscal year ended June 30, 2006, which is the second year of the biennium ended June 30, 2006. No payments were made to the Partnership out of the state treasury except in pursuance of appropriations made by law. Payments from the state treasury were deposited into Partnership bank accounts in accordance with the provisions of Chapter 22 of Title 2.2 of the Code of Virginia and expended for purposes as stated in those provisions. The budget is prepared on the cash basis.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent deposits not with the Treasurer of Virginia and cash in the Local Government Investment Pool (LGIP) with the Treasurer of Virginia. Cash on deposit is held in demand deposit accounts maintained for operating and payroll costs and is covered by federal depository insurance and carry no significant risk. The LGIP funds are held in pooled accounts, are considered cash equivalents and, accordingly, also carry no significant risk as defined by Statement 40 of the Governmental Accounting Standards Board. VEDP deposits are secured in accordance with the provisions of the Virginia Security for Public Deposit Act § 2.2-4400 of the Code of Virginia.

3. RECONCILIATION OF BUDGETARY FUND BALANCE TO GAAP FUND BALANCE

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

		General Fund
Fund balance, cash basis, June 30, 2006		$ 2,501,145
Add:	Prepaid expenses	196,468
	Other receivables	2,009
Deduct:	Accrued expenses	(269,333)
	Compensated absences	(29,208)
Fund balance, GAAP basis, June 30, 2006		$ 2,401,081

4. REVENUE PROVIDED BY THE GENERAL FUND OF THE COMMONWEALTH

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

Original appropriation		$ 15,616,939
Add:	Central Appropriations Adjustments	489,017
	Motorsports Marketing Funding	250,000
	Modeling and Simulation Funding	225,000
Revenue provided by the General Fund of the Commonwealth		$ 16,580,956

5. LEASE DEPOSITS

The Partnership maintains offices in Frankfurt, Germany and Tokyo, Japan. Each landlord requires a lease deposit as part of the lease agreement for those locations. The Frankfurt lease deposit is held in U.S. dollars in an interest bearing account and is valued at $20,000. The interest earned on the deposit is used to offset monthly bank charges. The Tokyo lease deposit is held in Japanese yen and does not accrue interest. The yen deposit increased in value during the fiscal year ended June 30, 2006, due to a favorable currency exchange rate, however, that increase is not a recognizable gain. The Tokyo lease deposit remained $121,864. The total value of lease deposits for the Partnership for the fiscal year ended June 30, 2006, is $141,864.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

Capital Assets Being Depreciated	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Leasehold improvements, furniture and equipment	$ 2,083,269	$ 268,538	$ (390,482)	$ 1,961,325
Less: accumulated depreciation	1,519,512	184,470	(385,910)	1,318,072
Leasehold improvements, furniture and equipment, net of accumulated depreciation	$ 563,757	$ 84,068	$ (4,572)	$ 643,253

7. COMMITMENTS

The Partnership is committed under various operating leases for office facilities and equipment. Rental expense under operating lease agreements for the fiscal year ended June 30, 2006, amounted to $1,355,230. A summary of minimum future obligations under these lease agreements as of June 30, 2006, follows:

Year Ending June, 30	Operating Lease Obligations
2007	$ 1,316,754
2008	1,279,529
2009	1,194,180
2010	1,214,321
2011	1,238,353
2012 and later	5,854,644
Total future minimum rental payments	$ 12,097,781

8. COMPENSATED ABSENCES

Compensated absences activity for the fiscal year ended June 30, 2006, was as follows:

Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
$ 767,152	$ 546,457	$ 517,995	$ 795,614
		Due Within One Year	(536,321)
		Due in More Than One Year	$ 259,293

9. PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

The Partnership is a participating employer in a defined benefit plan administered by the Virginia Retirement System. As of June 30, 2006, the Partnership's net pension obligation was $1,528,452.

Plan Description

All full-time and part-time salaried employees of the Partnership participate in the defined benefit retirement plan administered by the Virginia Retirement System (VRS). The VRS is an agent and a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

All full-time and part-time salaried employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees who retire with a reduced benefit at age 55 (age 50 for participating law enforcement officers and firefighters) with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount based on 1.7 percent of their average final compensation (AFC). An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the system at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. The employer may assume this 5 percent member contribution. The Partnership does pay the member contribution, which amounted to $362,942 (5 percent of total creditable compensation of $7,258,831). In addition, the Partnership is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Partnership contribution rate for the fiscal year ended June 30, 2006, was 3.91%, which resulted in a contribution of $283,820 for the fiscal year.

10. DEFERRED COMPENSATION PLAN

Employees of the Partnership may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Partnership matching up to $20 per pay period. The dollar amount of the match can change depending on the funding available in the Partnership's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were $34,415 for the fiscal year 2006.

11. RISK MANAGEMENT

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

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