



**Virginia Economic Development Partnership**  
Audited Basic Financial Statements  
For the Fiscal Year Ended  
June 30, 2010

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For the Fiscal Year Ended June 30, 2010

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## INTRODUCTORY SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP  
Richmond, Virginia

APPOINTED OFFICIALS

As of June 30, 2010

Board of Directors

Julien G. Patterson, Chair

Stephen R. Adkins  
G. William Beale  
W. Clay Campbell  
Russell B. Clark  
Mark D. Heath  
Hugh D. Keogh  
Chris A. Lumsden  
Stuart S. Malawer  
John F. Malbon

David Oliver  
Dan M. Pleasant  
A. Carole Pratt  
Ruth A. Sandoval  
Samuel A. Schreiber  
Donald W. Seale  
James E. Ukrop  
Neil D. Wilkin, Jr.

Glenn DuBois, Ex-Officio  
The Honorable Jim S. Cheng, Ex-Officio  
The Honorable Richard D. Brown, Ex-Officio

President and Chief Executive Officer

Jeffrey M. Anderson

## FINANCIAL SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF JUNE 30, 2010

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, 2010. 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, expenses that are accrued for the net pension obligation in the current period are expected to be paid with future funding appropriations from the Commonwealth of Virginia.

**Fund Financial Statements**

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

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

## Reconciliations between Government-Wide and Fund Financial Statements

There are two reconciliations between the government-wide and the fund financial statements. The first is found on the Balance Sheet and explains the difference between the *fund balance* on the Balance Sheet and *net 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. At the close of the fiscal year ended June 30, 2010, the Partnership had a net asset deficit of \$288,044 compared to a net asset surplus of \$298,395 as of June 30, 2009. Following is an analysis of the changes in the net assets of the Partnership.

	Net Assets		
	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Current and other assets	\$ 2,947,350	\$ 3,057,107	\$ (109,757)
Capital assets, net of depreciation	<u>756,826</u>	<u>715,565</u>	<u>41,261</u>
Total assets	<u>3,704,176</u>	<u>3,772,672</u>	<u>(68,496)</u>
Non-current liabilities	3,574,241	3,060,525	513,716
Other liabilities	<u>417,979</u>	<u>413,752</u>	<u>4,227</u>
Total liabilities	<u>3,992,220</u>	<u>3,474,277</u>	<u>517,943</u>
Net assets:			
Invested in capital assets, net of related debt	756,826	715,565	41,261
Unrestricted	<u>(1,044,870)</u>	<u>(417,170)</u>	<u>(627,700)</u>
Total net assets (deficit)	<u>\$ (288,044)</u>	<u>\$ 298,395</u>	<u>\$ (586,439)</u>

*Total assets* decreased this fiscal year by \$68,496 when compared to last year. The decrease in current and other assets was due primarily to a decrease in cash balances of \$113,447. This decrease in cash balances was the result of cash expenditures exceeding cash revenues by \$98,915, increases in travel advance and lease deposit balances totaling \$9,082 and a decrease in the amount due to Virginia National Defense Authority of \$5,450.

*Total liabilities* increased by \$517,943. Non-current liabilities increased by \$513,716 due to increases in the Partnership's net pension obligation and other post employment obligations totaling \$556,273 offset by a decrease in compensated absences of \$42,557.

Net assets invested in *capital assets, net of related debt* consist primarily of leasehold improvements, computers and peripheral technology equipment used by the organization to deliver program services to its clients. The Partnership considers technology a vital asset in its efforts to market Virginia and will continue to invest in technology to ensure that its equipment and software are updated to take advantage of greater data handling capabilities and increased processing speeds.

The remaining *Net assets* deficit balance of \$1,044,870 is classified as *unrestricted*. The Partnership has recorded approximately \$2,810,000 of net pension and other post retirement obligations which are expected to be paid with future appropriations from the Commonwealth of Virginia (COV). The partnership's cash and other current assets exceed its obligations due within the next fiscal year by approximately \$2,512,000.

Changes in Net Assets			
	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Revenues:			
Program revenues:			
Charges for services	\$ 364,652	\$ 579,470	\$ (214,818)
General revenues:			
General Fund appropriations	14,460,146	15,612,518	(1,152,372)
Other	(44,099)	86,811	(130,910)
 Total revenues	 <u>14,780,699</u>	 <u>16,278,799</u>	 <u>(1,498,100)</u>
Expenses:			
Business Development	2,963,943	3,099,749	(135,806)
International Investment	1,849,352	1,814,716	34,636
International Trade	2,821,329	3,074,785	(253,456)
Research	1,756,547	1,818,634	(62,087)
Communications and Promotions	1,258,962	1,597,210	(338,248)
Information Technology	2,046,546	1,984,724	61,822
Administration	2,411,939	2,719,181	(307,242)
Pass-through Payments	258,520	142,150	116,370
 Total expenses	 <u>15,367,138</u>	 <u>16,251,149</u>	 <u>(884,011)</u>
 Increase (Decrease) in net assets	 (586,439)	 27,650	 (614,089)
Beginning net assets	<u>298,395</u>	<u>270,745</u>	<u>27,650</u>
 Ending net assets(deficit)	 <u>\$ (288,044)</u>	 <u>\$ 298,395</u>	 <u>\$ (586,439)</u>

*Net assets* for the Partnership decreased by \$586,439 during the current fiscal year compared to an increase of \$27,650 in net assets in the prior fiscal year. The revenues decrease of \$1,498,100 is due to a \$1,152,372 decrease in general fund appropriations brought about by shortfalls in State revenue collections. A reduction in VEDP's marketing activities resulted in the decrease in the related charges for services by approximately \$215,000. Other revenues decrease of \$130,910 includes an increase in the losses on the disposal of fixed assets totaling \$75,728 and a \$56,427 decrease in interest income on cash deposits.

The \$884,011 expense decrease is due to budget reductions generally, which was the result of reduced Commonwealth of Virginia revenues. Specifically, the larger variances seen in the marketing divisions; Business Development, International Trade and Communications and Promotions were the result of substantially reduced marketing shows, events, and missions and related travel. The Administration reduction was primarily due to the elimination of the Deputy Director position and a one-time lease operating expense refund.

## **General Fund Budgetary Highlights**

The *Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual-Cash Basis* is presented to provide information on the budget as originally prepared and the final budget on which the Partnership operated for the fiscal year. Also, the final budget is compared to the cash basis actual results by revenue source and expenditure activity. The Partnership's budget, as originally prepared, included revenue provided by the Commonwealth of just over \$16 million. This amount was reduced to \$14.5 million by the net of reductions of \$1.73 million imposed by the Governor to offset revenue shortfalls, reductions of over \$300,000 for employee benefits and an employee one-day furlough; and an increase in funding of \$293,000 for Rolls Royce project management and \$180,000 additional funding for the Virginia Commercial Space Flight Authority. Additionally, \$212,000 was added to the participation and sponsorship fees budgets to support planned expenditures primarily associated with the Virginia Conference on World Trade. Actual revenues for participation and sponsorship fees fell short of the final budgeted amounts by just over \$51,000 due to a reduced marketing calendar of missions and events, which generates the related revenue. Actual expenditures were less than the final budget by approximately \$720,000 due to savings from various reductions in marketing activities throughout the year and one-time rent operating expense refund.

## **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, 2010

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 2,580,570
Petty cash and travel advances	9,196
Prepaid expenses	314,208
Other receivables	25,497
Lease deposits (Note 5)	17,879
Capital assets, net of accumulated depreciation (Note 6)	
Leasehold improvements, furniture, and equipment	<u>756,826</u>
Total assets	<u>3,704,176</u>
<b>Liabilities</b>	
Accounts payable	86,817
Accrued payroll	143,356
Unearned revenue	6,790
Due to Virginia National Defense Industrial Authority	181,016
Noncurrent liabilities due within one year	
Compensated absences (Note 8)	509,319
Noncurrent liabilities due in more than one year	
Compensated absences (Note 8)	255,117
Net pension obligation (Note 9)	2,243,875
Net other post-employment obligation (Note 10)	<u>565,930</u>
Total liabilities	<u>3,992,220</u>
<b>Net assets</b>	
Investment in capital assets, net of related debt	756,826
Unrestricted	<u>(1,044,870)</u>
Total net assets (deficit)	<u><u>\$ (288,044)</u></u>

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, 2010

	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
<b>Governmental Activities</b>			
Business Development	\$ 2,963,943	50,000	\$ (2,913,943)
International Investment	1,849,352	58,940	(1,790,412)
International Trade	2,821,329	215,212	(2,606,117)
Research	1,756,547	-	(1,756,547)
Communications and Promotions	1,258,962	40,500	(1,218,462)
Information Technology	2,046,546	-	(2,046,546)
Administration	2,411,939	-	(2,411,939)
Pass-through Payments	258,520	-	(258,520)
Total governmental activities	15,367,138	364,652	(15,002,486)
<b>General Revenues</b>			
Revenue provided by the General Fund of the Commonwealth (Note 4)			14,460,146
Interest revenue			12,973
Other revenue			30,030
Loss on disposal of fixed assets			(87,102)
Total general revenues			14,416,047
Decrease in net assets			(586,439)
Net assets, July 1, 2009			298,395
Net assets (deficit), June 30, 2010			\$ (288,044)

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP  
BALANCE SHEET  
GOVERNMENTAL FUND  
As of June 30, 2010

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 2,580,570
Petty cash and travel advances	9,196
Prepaid expenses	314,208
Other receivables	25,497
Lease deposits (Note 5)	<u>17,879</u>
Total assets	<u>\$ 2,947,350</u>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 86,817
Accrued payroll	143,356
Compensated absences	13,669
Unearned revenue	6,790
Due to Virginia National Defense Industrial Authority	<u>181,016</u>
Total liabilities	<u>431,648</u>
Fund Balances:	
Unreserved	<u>2,515,702</u>
Total liabilities and fund balances	<u>\$ 2,947,350</u>

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

Fund balances, Governmental Fund	\$ 2,515,702
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	756,826
Noncurrent liabilities (compensated absences, net pension obligation and net other post employment obligation) are not due and payable with current financial resources and, therefore, are not reported in the funds.	<u>(3,560,572)</u>
Total net assets of governmental activities	<u>\$ (288,044)</u>

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, 2010

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	General Fund
<b>Revenues</b>	
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 14,460,146
Participation fees	136,695
Sponsorship fees	162,590
Interest revenue	12,973
Other revenue	95,397
Total revenues	<u>14,867,801</u>
<b>Expenditures</b>	
Business Development	2,844,123
International Investment	1,824,356
International Trade	2,740,055
Research	1,670,356
Communications and Promotions	1,232,099
Information Technology	1,917,164
Administration	2,507,782
Pass-through Payments	258,520
Total expenditures	<u>14,994,455</u>
Expenditures over revenues	<u>(126,654)</u>
<b>Other Financing Sources (Uses)</b>	
Recoveries from insurance and landlord (Note 12)	316,105
Loss caused by flood damage (Note 12)	(317,105)
Total other financing sources (uses)	<u>(1,000)</u>
<b>Total Decrease in Fund Balance</b>	(127,654)
Fund balance, July 1, 2009	<u>2,643,356</u>
Fund balance, June 30, 2010	<u>\$ 2,515,702</u>

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, 2010

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

Net decrease in fund balance of the general fund	\$ (127,654)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and loss on disposal of assets in the current period.	41,261
Some expenses reported in the statement of activities (compensated absences, net pension obligation and net other post employment obligation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(500,046)</u>
Decrease in net assets of governmental activities	<u><u>\$ (586,439)</u></u>

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, 2010

	Budgeted Amounts			Variances with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 16,034,327	\$ 14,460,146	\$ 14,460,146	\$ -
Participation fees	138,000	250,000	136,695	(113,305)
Sponsorship fees	-	100,000	161,880	61,880
Interest revenue	40,000	20,000	12,973	(7,027)
Other revenue	30,000	96,000	95,397	(603)
<b>Total revenues</b>	<b>16,242,327</b>	<b>14,926,146</b>	<b>14,867,091</b>	<b>(59,055)</b>
<b>Expenditures</b>				
Business Development	3,025,709	2,867,933	2,822,303	45,630
International Investment	1,713,805	1,641,439	1,706,255	(64,816)
International Trade	2,887,296	3,112,922	2,752,040	360,882
Research	1,930,359	1,796,876	1,677,563	119,313
Communications and Promotions	2,007,146	1,380,064	1,303,202	76,862
Information Technology	1,897,793	1,924,146	1,902,716	21,430
Administration	2,696,844	2,678,279	2,516,910	161,369
Pass-through Payments	87,875	258,520	258,520	-
<b>Total expenditures</b>	<b>16,246,827</b>	<b>15,660,179</b>	<b>14,939,509</b>	<b>720,670</b>
Revenues over (under) expenditures	(4,500)	(734,033)	(72,418)	661,615
<b>Other Financing Sources (Uses)</b>				
Recoveries from insurance and landlord (Note 12)			290,608	290,608
Loss caused by flood damage (Note 12)	-	-	(317,105)	(317,105)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(26,497)</b>	<b>(26,497)</b>
<b>Total Decrease in Fund Balance</b>	<b>(4,500)</b>	<b>(734,033)</b>	<b>(98,915)</b>	<b>635,118</b>
Fund balance, July 1, 2009	4,500	734,033	2,525,544	1,791,511
Fund balance, June 30, 2010 (Note 3)	\$ -	\$ -	\$ 2,426,629	\$ 2,426,629

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The Statement of Net 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, other services and portions of insurance premiums for which the economic benefits had not been received as of June 30, 2010.

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 three to twenty years.

E. Due to Virginia National Defense Industrial Authority

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

F. Unearned Revenue

Unearned revenue included amounts received for sponsorship and participation fees at June 30, 2010, for an event to be held in the next fiscal period.

G. Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by the Partnership employees, but not taken at June 30, 2010. 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.

H. 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, 2010, which is the second year of the biennium ended June 30, 2010. 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:

	<u>General Fund</u>
Fund balance, cash basis, June 30, 2010	\$ 2,426,629
Add: Prepaid expenses and other receivables	339,705
Deduct: Accrued expenses and unearned revenues	<u>(250,632)</u>
Fund balance, GAAP basis, June 30, 2010	<u>\$ 2,515,702</u>

4. REVENUE PROVIDED BY THE GENERAL FUND OF THE COMMONWEALTH

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

Original appropriation, Chapter 781	\$ 16,482,457
Add: Funding for Rolls Royce Project Management	293,200
Funding for VA Space Flight Authority	179,433
Deduct: Governor's budget reductions	(1,726,309)
Appropriation for VNDIA	(448,130)
Central Appropriations adjustments	<u>(320,505)</u>
Revenue provided by the General Fund of the Commonwealth	<u>\$ 14,460,146</u>

5. LEASE DEPOSITS

The Partnership maintains offices in Lynchburg, Virginia, and Tokyo, Japan. Each landlord requires a lease deposit as part of the lease agreement for those locations. The Lynchburg lease deposit is held in U.S. dollars in a non-interest bearing account and is valued at \$400. The Tokyo lease deposit is held in Japanese yen in a non-interest bearing account in the amount of 1,800,000 Japanese yen. The Tokyo lease deposit is valued at \$17,479 at June 30, 2010.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

<u>Capital Assets Being Depreciated</u>	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Leasehold improvements, furniture and equipment	\$ 1,471,127	\$ 274,492	\$ (200,006)	\$ 1,545,613
Less: accumulated depreciation	<u>755,562</u>	<u>146,129</u>	<u>(112,904)</u>	<u>788,787</u>
Leasehold improvements, furniture and equipment, net of accumulated depreciation	<u>\$ 715,565</u>	<u>\$ 128,363</u>	<u>\$ (87,102)</u>	<u>\$ 756,826</u>

7. COMMITMENTS

The Partnership is committed under various operating leases and office use agreements for office facilities and equipment through December 2015. Expense under these agreements for the fiscal year ended June 30, 2010, amounted to \$1,564,355. A summary of minimum future obligations under these agreements as of June 30, 2010, follows:

<u>Year Ending June, 30</u>	<u>Obligations</u>
2011	\$ 1,570,355
2012	1,346,772
2013	1,373,184
2014	1,406,216
2015	1,417,944
2016	<u>710,375</u>
Total future minimum rental payments	<u>\$ 7,824,846</u>

In July of 2009, the Partnership entered an agreement with the Virginia Ports Authority to co-sponsor the annual “Virginia Conferences on World Trade “. Under this agreement, the entities are to share equally in any profits and losses resulting from each year’s conference activities. If either party terminates their participation, or the event was to be cancelled, funds would be divided in accordance with the terms of the agreement. The results of transactions related to the conference are reflected in the Partnership’s financial statements. As of June 30, 2010, \$114,592 is included in the Partnership’s cash and cash equivalents accounts to provide for the 62<sup>nd</sup> Virginia Conference on World Trade to be held in October 2010.

8. COMPENSATED ABSENCES

Compensated absences activity for the fiscal year ended June 30, 2010, was as follows:

<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
\$ 806,993	\$ 504,951	\$ 547,508	\$ 764,436
	Due Within One Year		<u>(509,319)</u>
	Due in More Than One Year		<u>\$ 255,117</u>

9. PENSION PLAN

The Partnership is a participating employer in a defined benefit pension plan administered by the Virginia Retirement System. As of June 30, 2010, the Partnership’s net pension obligation was \$2,243,875.

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 with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount based on 1.7 percent of their average final compensation (AFC). An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

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

## Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. The employer may assume this 5 percent member contribution. The Partnership does pay the member contribution, which amounted to \$350,266 (5 percent of total creditable compensation of \$7,005,326). 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, 2010, was 4.956%, which resulted in a contribution of \$349,116 for the fiscal year.

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

The Partnership is a participating employer in other employment and post-employment benefit plans. The Group Life Insurance plan, Virginia Sickness and Disability Program (VSDP) and the Retiree Health Insurance Credit fund are administered by the VRS. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for these plans. A copy of that report may be obtained by writing to the system at P.O. Box 2500, Richmond, Virginia 23218-2500. The Partnership is also a participating employer in the Health Benefits Program for Retirees, Survivors and Long Term Disability (LTD) Participants administered by the Commonwealth's Department of Human Resource Management (DHRM). The Commonwealth issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for this plan and a copy of that report may be obtained by writing Financial Reporting, 101 N. 14th Street, Richmond, VA 23219. As of June 30, 2010, the Partnership's combined net other post-employment benefit obligation for these plans was \$565,930.

### GROUP LIFE INSURANCE

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

Post-employment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method with the same actuarial assumptions used for determining pension plan contribution rates. All contributions to the plan are made by the Partnership. The Partnership's actuarially determined rate for the current year was 0.593% of creditable compensation resulting in a contribution of \$41,966. This contribution covers premiums for active employees and actual death claims for retirees. As of June 30, 2010, the Partnership had no net post-employment benefit obligation for this plan.

### HEALTH INSURANCE CREDIT PROGRAM

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

The amount required to fund all credits is financed on a current disbursement basis by the employers participating in the plan and is based on contribution rates determined by the VRS actuary. The Partnership's actuarially determined rate for the current year was 0.792% of creditable compensation resulting in a contribution of \$55,769 as of June 30, 2010, the Partnership's net post-employment benefit obligation for this plan was \$32,728.

#### VIRGINIA SICKNESS AND DISABILITY PROGRAM

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

The Partnership is required to make contributions to the VRS for the cost of providing long-term disability under the VSDP. The Partnership's actuarially determined rate for the current year was 0.792% of creditable compensation resulting in a contribution of \$55,889. As of June 30, 2010, the Partnership's net post-employment benefit obligation for this plan was \$135,447.

#### HEALTH BENEFITS PROGRAM FOR RETIREES, SURVIVORS AND LTD PARTICIPANTS

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

The Partnership's actuarially determined liability under this program arises from the implicit rate subsidies that occur when retirees, LTD participants, and surviving spouses are insured in a group with current employees. The liability is determined by computing expected future benefit pay out cost, less expected future participant contributions. All participants are required to pay the total subsidized contributions for benefits coverage. As of June 30, 2010, the Partnership's net post-employment benefit obligation for this plan was \$397,755.

#### 11. DEFERRED COMPENSATION PLAN

Employees of the Partnership may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Partnership matching up to \$20 per pay period. The dollar amount of the match can change depending on the funding available in the Partnership's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were \$35,200 for the fiscal year 2010.

## 12. RECOVERIES FROM INSURANCE AND LANDLORD

Recoveries from insurance and landlord represent payments from the Partnership's insurance carrier and its landlord for water damage incurred in October 2009, to the Partnership's leased office space in Richmond, VA. All repairs and carpet replacements were completed and paid for by June 30, 2010. The final recovery payment in the amount of \$25,497 was received in July 2010. The net loss to the Partnership of \$1,000 is reflected in the accompanying Statement of Activities as an Administration expense.

## 13. 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 and the Great Northern 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.



# Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

September 23, 2010

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
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, 2010, 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, 2010, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements, but are 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 September 23, 2010, 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.

  
AUDITOR OF PUBLIC ACCOUNTS

AWP/cj