VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

AUDITED BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

VIRGINIA
Is For Business

Virginia Economic Development Partnership
Audited Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

- TABLE OF CONTENTS -

INTRODUCTORY SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
Richmond, Virginia

APPOINTED OFFICIALS
As of June 30, 2008

Board of Directors

Charles H. Majors, Chair

Stephen R. Adkins	David Oliver
G. William Beale	Julien G. Patterson
W. Clay Campbell	A. Carole Pratt
Russell B. Clark	McKinley L. Price
Jake Gosa	Ike Prillaman
Hugh D. Keogh	Samuel A. Schreiber
Chris A. Lumsden	James E. Ukrop
John F. Malbon	Neil D. Wilkin, Jr.

The Honorable Patrick O. Gottschalk, Ex-Officio
The Honorable Richard D. Brown, Ex-Officio

Executive Director
Jeffrey M. Anderson

FINANCIAL SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF JUNE 30, 2008

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, 2008. 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 $270,745 and $1,935,979 at the close of the fiscal years ended June 30, 2008, and 2007, respectively.

Net Assets

	2008	2007	Variance
Current and other assets	$ 2,965,908	$ 4,343,589	$ (1,377,681)
Capital assets, net of depreciation	523,129	609,263	(86,134)
Total assets	3,489,037	4,952,852	(1,463,815)
Non-current liabilities	2,701,198	2,408,712	292,486
Other liabilities	517,094	608,161	(91,067)
Total liabilities	3,218,292	3,016,873	201,419
Net assets:			
Invested in capital assets, net of related debt	523,129	609,263	(86,134)
Restricted	-	1,000,000	(1,000,000)
Unrestricted	(252,384)	326,716	(579,100)
Total net assets	$ 270,745	$ 1,935,979	$ (1,665,234)

Total assets decreased this fiscal year by $1,463,815 when compared to last year due primarily to a decrease in cash balances of approximately $1,329,000. This decrease was due to cash expenditures exceeding cash revenues by approximately $1,520,000 which was partially offset by the reduction of leasehold deposits and petty cash account funding totaling $197,000. Prepaid expenses and other receivables increased by approximately $143,000. *Total liabilities* increased by $201,419 due to increases in the Partnership's net pension obligation and other post employment obligations totaling $312,000 and an increase in unearned revenue of $42,500. Total increases were offset by decreases in accrued expenses of approximately $133,000 and compensated absences of $19,000.

In the fiscal year ended June 30, 2008, the Partnership fulfilled its obligation to disburse $1,000,000 to the Industrial Development Authority of Pulaski County for the development of the New River Valley Center of Excellence which eliminated the restricted portion of the Partnership's Net assets as of June 30, 2007. Net assets invested in c*apital assets, net of related debt* consist primarily of 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 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 $252,384 is classified as *unrestricted*. The Partnership has recorded approximately $1,900,000 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 exceeds its obligations due within the next fiscal year by approximately $1,900,000

Changes in Net Assets

	2008	2007	Variance
Revenues:			
Program revenues:			
Charges for services	$ 730,345	$ 329,746	$ 400,599
General revenues:			
General Fund appropriations	16,850,694	18,803,038	(1,952,344)
Other	246,631	312,905	(66,274)
Total revenues	17,827,670	19,445,689	(1,618,019)
Expenses:			
Business Development	3,535,432	3,500,498	34,934
International Investment	1,750,866	1,868,186	(117,320)
International Trade	3,258,598	3,448,113	(189,515)
Research	2,302,792	2,114,030	188,762
Communications and Promotions	2,892,101	2,598,450	293,651
Information Technology	1,871,474	1,808,042	63,432
Administration	2,486,641	2,521,867	(35,226)
Pass-through Payments	1,395,000	400,000	995,000
Total expenses	19,492,904	18,259,186	1,233,718
Increase (Decrease) in net assets	(1,665,234)	1,186,503	(2,851,737)
Beginning net assets	1,935,979	749,476	1,186,503
Ending net assets	$ 270,745	$ 1,935,979	$ (1,665,234)

Net assets for the Partnership decreased by $1,665,234 during the current fiscal year compared to a $1,186,503 increase in net assets in the prior fiscal year. The decrease in funding provided by General Fund appropriations from the COV of approximately $1,952,000 was the result of reductions in funding for legislated pass through payments, marketing programs including India and China activities, advertising, and a 5% "across the board" cut totaling $2,437,000. This was offset by increased funding of approximately $485,000 for pay raises. *Charges for services* increase of approximately $400,000 was primarily the result of collecting $450,000 for cooperative advertising from private sector partners. The increase in *Expenses* of $1,234,000 was the result of increases of $995,000 in the Partnership's legislated pass through payments and $450,000 in advertising costs that were offset by various reductions spread throughout the organization. The funds to support the increase in pass through payments were received in fiscal year 2007, but were not disbursed until the current year.

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 net increase in budgeted Revenue provided by the General Fund of the Commonwealth for the fiscal year ended June 30, 2008, when compared to the Appropriations Act included $300,000 in additional funding for legislated pass-through payments, $935,689 funding for increases in personnel service costs, a decrease of $510,000 for funding provided for and belonging to Virginia National Defense Industrial Authority (VNDIA), and decreases totaling $837,696 imposed by the Governor to offset shortfalls in State revenue collections. Actual expenditures were less than the final budget by approximately $550,000 due to savings from unfilled vacancies and reductions in advertising and other marketing activities. The Partnership is anticipating further COV appropriations reductions for the fiscal years ending in 2009 and 2010, which will result in further reductions in most expenditure categories.

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, 2008

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	$ 2,490,937
Petty cash and travel advances	16,336
Prepaid expenses	418,442
Other receivables	25,000
Lease deposits (Note 5)	15,193
Capital assets, net of accumulated depreciation (Note 6)	
Leasehold improvements, furniture, and equipment	523,129
Total assets	3,489,037
Liabilities	
Accounts payable	157,488
Accrued payroll	142,479
Due to Virginia National Defense Industrial Authority	174,627
Deferred revenue	42,500
Noncurrent liabilities due within one year	
Compensated absences (Note 8)	527,340
Noncurrent liabilities due in more than one year	
Compensated absences (Note 8)	275,274
Net pension obligation (Note 9)	1,729,649
Net other post-employment obligation (Note 10)	168,935
Total liabilities	3,218,292
Net assets	
Investment in capital assets, net of related debt	523,129
Unrestricted	(252,384)
Total net assets	$ 270,745

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, 2008

	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities			
Business Development	$ 3,535,432	-	$ (3,535,432)
International Investment	1,750,866	40,000	(1,710,866)
International Trade	3,258,598	194,418	(3,064,180)
Research	2,302,792	13	(2,302,779)
Communications and Promotions	2,892,101	466,301	(2,425,800)
Information Technology	1,871,474	29,613	(1,841,861)
Administration	2,486,641	-	(2,486,641)
Pass-through Payments	1,395,000	-	(1,395,000)
Total governmental activities	19,492,904	730,345	(18,762,559)
General Revenues			
Revenue provided by the General Fund of the Commonwealth (Note 4)			16,850,694
Interest revenue			204,956
Gain on foreign exchange			16,625
Other revenue			25,050
Total general revenues			17,097,325
Decrease in net assets			(1,665,234)
Net assets, July 1, 2007			1,935,979
Net assets, June 30, 2008			$ 270,745

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
BALANCE SHEET
GOVERNMENTAL FUND
As of June 30, 2008

		General Fund
Assets		
Cash and cash equivalents (Note 2)	$	2,490,937
Petty cash and travel advances		16,336
Prepaid expenses		418,442
Other receivables		25,000
Lease deposits (Note 5)		15,193
Total assets	$	2,965,908
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$	157,488
Accrued payroll		142,479
Deferred revenue		42,500
Due to Virginia National Defense Industrial Authority		174,627
Total liabilities		517,094
Fund Balances:		
Unreserved		2,448,814
Total fund balances (Note 3)		2,448,814
Total liabilities and fund balances	$	2,965,908

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

Fund balances, Governmental Fund	$	2,448,814
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		523,129
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.		(2,701,198)
Total net assets of governmental activities	$	270,745

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, 2008

	General Fund
Revenues	
Revenue provided by the General Fund of the Commonwealth (Note 4)	$ 16,850,694
Participation fees	250,719
Co-op advertising revenue	450,000
Interest revenue	204,956
Other revenue	54,676
Total revenues	17,811,045
Expenditures	
Business Development	3,444,038
International Investment	1,730,492
International Trade	3,231,053
Research	2,219,869
Communications and Promotions	2,865,258
Information Technology	1,819,429
Administration	2,409,145
Pass-through Payments	1,395,000
Total expenditures	19,114,284
Expenditures in excess of revenues	(1,303,239)
Other Financing Sources	
Foreign currency exchange gain	16,625
Total other financing sources	16,625
Total Decrease in Fund Balance	(1,286,614)
Fund balance, July 1, 2007	3,735,428
Fund balance, June 30, 2008	$ 2,448,814

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, 2008

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

Net decrease in fund balance of the general fund	$	(1,286,614)
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 depreciation expense exceeded capital outlays in the current period.		(86,134)
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.		(292,486)
Change in net assets of governmental activities	$	(1,665,234)

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, 2008

	Budgeted Amounts			Variances with Final Budget- Positive
	Original	Final	Actual	(Negative)
Revenues				
Revenue provided by the General Fund of the Commonwealth (Note 4)	$ 16,962,701	$ 16,850,694	$ 16,850,694	$ -
Participation fees	145,000	204,600	250,719	46,119
Co-op advertising revenue and sponsorship fees	-	450,000	492,500	42,500
Interest revenue	200,000	200,000	204,956	4,956
Other revenue	-	29,613	54,676	25,063
Total revenues	17,307,701	17,734,907	17,853,545	118,638
Expenditures				
Business Development	3,617,043	3,479,043	3,461,164	17,879
International Investment	1,795,097	1,854,597	1,801,115	53,482
International Trade	3,450,243	3,331,343	3,311,818	19,525
Research	2,188,753	2,309,918	2,225,333	84,585
Communications and Promotions	2,949,474	2,915,190	2,835,536	79,654
Information Technology	2,137,065	1,955,678	1,913,333	42,345
Administration	2,757,103	2,696,303	2,446,428	249,875
Pass-through Payments	1,400,000	1,395,000	1,395,000	-
Total expenditures	20,294,778	19,937,072	19,389,727	547,345
Revenues over (under) expenditures	(2,987,077)	(2,202,165)	(1,536,182)	665,983
Other Financing Sources				
Foreign currency exchange gain	-	-	16,625	16,625
Total other financing sources	-	-	16,625	16,625
Total Decrease in Fund Balance	(2,987,077)	(2,202,165)	(1,519,557)	682,608
Fund balance, July 1, 2007	2,987,077	2,202,165	3,867,396	1,665,231
Fund balance, June 30, 2008 (Note 3)	$ -	$ -	$ 2,347,839	$ 2,347,839

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, 2008

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, 2008.

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 fees at June 30, 2008, for an event to be held in 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, 2008. Compensated absences were calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." This statement requires the accrual of Social Security and Medicare taxes to be paid by the 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, 2008, which is the second year of the biennium ended June 30, 2008. 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, 2008		$ 2,347,839
Add:	Prepaid expenses and other receivables	443,442
Deduct:	Accrued expenses and unearned revenues	(342,467)
Fund balance, GAAP basis, June 30, 2008		$ 2,448,814

4. REVENUE PROVIDED BY THE GENERAL FUND OF THE COMMONWEALTH

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

Original appropriation, Chapter 847		$ 16,962,701
Add:	Central Appropriations adjustments	935,689
	Transfer of Emergency Management Training, Analysis, and Simulation Center funding	300,000
Deduct:	Appropriation for VNDIA	(510,000)
	Governor’s budget reductions	(837,696)
Revenue provided by the General Fund of the Commonwealth		$ 16,850,694

5. LEASE DEPOSITS

The Partnership maintains an office in Tokyo, Japan. The landlord requires a lease deposit as part of the lease agreement in the amount of 1,600,000 Japanese yen and the deposit does not accrue interest. The Tokyo lease deposit is valued at $15,193 at June 30, 2008.

6. CAPITAL ASSETS

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

Capital Assets Being Depreciated	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Leasehold improvements, furniture and equipment	$ 1,868,839	$ 48,764	$ (129,375)	$ 1,788,228
Less: accumulated depreciation	1,259,576	134,898	(129,375)	1,265,099
Leasehold improvements, furniture and equipment, net of accumulated depreciation	$ 609,263	$ (86,134)	$ -	$ 523,129

7. COMMITMENTS

The Partnership is committed under various operating leases for office facilities and equipment through December 2015. Rental expense under operating lease agreements for the fiscal year ended June 30, 2008, amounted to $1,343,799. A summary of minimum future obligations under these lease agreements as of June 30, 2008, follows:

Year Ending June, 30	Operating Lease Obligations
2009	$ 1,447,491
2010	1,403,416
2011	1,345,327
2012	1,374,026
2013	1,403,349
2014-2016	3,599,320
Total future minimum rental payments	$ 10,572,929

In May 2007, the Partnership contracted for three years of maintenance on its Microsoft products. As of June 30, 2008, the amount payable under this agreement is $43,250 and is due in the year ending June 30, 2009.

8. COMPENSATED ABSENCES

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

Balance July 1, 2007	Increases	Decreases		Balance June 30, 2008
$ 822,015	$ 530,640	$ 550,041		$ 802,614
			Due Within One Year	(527,340)
			Due in More Than One Year	$ 275,274

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, 2008, the Partnership's net pension obligation was $1,729,649.

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 $370,454 (5 percent of total creditable compensation of $7,409,075). 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, 2008, was 6.15%, which resulted in a contribution of $455,658 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, 2008, the Partnership's combined net other post-employment benefit obligation for these plans was $168,935.

GROUP LIFE INSURANCE

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

Post-employment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method with the same actuarial assumptions used for determining pension plan contribution rates. All contributions to the plan are made by the Partnership. The Partnership's actuarially determined rate for the current year was 1.00% of creditable compensation resulting in a contribution of $74,765. This contribution covers premiums for active employees and actual death claims for retirees. As of June 30, 2008, the Partnership had no net post-employment benefit obligation for this plan.

HEALTH INSURANCE CREDIT PROGRAM

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

The amount required to fund all credits is financed on a current disbursement basis by the employers participating in the plan and is based on contribution rates determined by the VRS actuary. The Partnership's actuarially determined rate for the current year was 1.20% of creditable compensation resulting in a contribution of $88,909. As of June 30, 2008, the Partnership had no net post-employment benefit obligation for this plan.

VIRGINIA SICKNESS AND DISABILITY PROGRAM

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

The 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 2.00% of creditable compensation resulting in a contribution of $149,176. As of June 30, 2008, the Partnership's net post-employment benefit obligation for this plan was $37,294.

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, 2008, the Partnership's net post-employment benefit obligation for this plan was $131,641.

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 $35,860 for the fiscal year 2008.

12. PENDING EMPLOYEE CLAIM

The Partnership has been notified of a charge filed by a former employee with the Equal Employment Opportunity Commission. The final outcome of this claim cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the Partnership may be exposed will not have a material effect upon the entity's financial position.

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 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.

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

October 27, 2008

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
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, 2008, 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, 2008, 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 3 through 6 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 27, 2008, 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

SAH:alh