# A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

**Mark R. Warner**
Governor

**John M. Bennett**
Secretary of Finance

**David A. Von Moll**
Comptroller

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# INTRODUCTORY SECTION

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David A. Von Moll, CPA, CGFM
Comptroller
Post Office Box 1971
Richmond, Virginia 23218

December 14, 2005

The Honorable Mark R. Warner
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Warner:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005, in accordance with Section 2.2-813 of the *Code of Virginia*.

This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2005 CAFR is presented in three sections. The Introductory Section includes a financial overview, discussion of the Virginia economy, and organization charts for State government. The Financial Section includes the State auditor's report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2005. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

It should be noted that GAAP requires the MD&A mentioned on the previous page to include a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Commonwealth's MD&A can be found on page 31 immediately following the independent auditor's report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last nineteen consecutive years (fiscal years 1986-2004). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

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

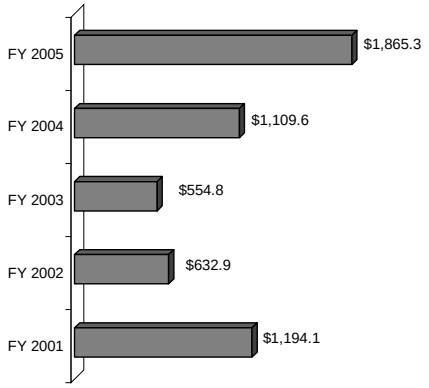
Respectfully submitted,

Comptroller of the Commonwealth of Virginia

# Financial Overview

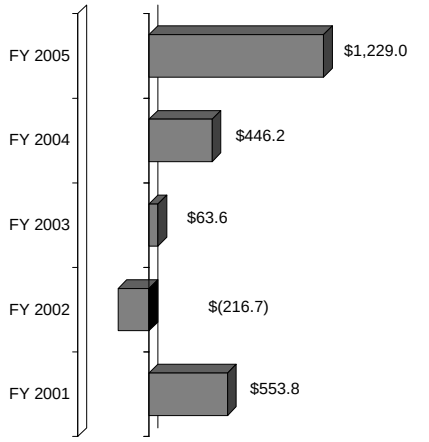
**General Fund Balance – Basis of Budgeting**

*(Dollars in Millions)* *Figure 1*




**General Fund Balance – GAAP Basis**

*(Dollars in Millions)* *Figure 2*




## General Fund Condition – Overall

Virginia uses the cash basis of accounting for budgetary purposes. Revenues and expenditures are recorded at the time cash is actually received or disbursed according to the provisions of the Appropriation Act. The basis of budgeting financial activity of the General Fund is presented as Required Supplementary Information on page 158 in the Financial Section.

**Figure 1** shows the General Fund ending fund balances on a basis of budgeting since fiscal year 2001. All of the $1,865.3 million ending fund balance at June 30, 2005, was reserved or designated, including $664.2 million for the Revenue Stabilization Reserve Fund, $74.2 million for the Payroll Reserve, $352 thousand for Unexpended Lottery Proceeds, and $1,126.5 million designated for reappropriation, appropriation, or transfer in fiscal years 2006 and 2007. **Figure 2** shows the General Fund ending fund balances since fiscal year 2001, using the modified accrual basis of accounting. Additional data for general fund balances are located on page 276 in the Statistical Section.

## General Fund Revenues, Expenditures, and Other Financing Sources (Uses)

**Figure 3** presents a detailed analysis of General Fund revenue on a basis of budgeting for the year ended June 30, 2005. Prior year data is shown for comparison purposes. Overall, total revenue and other financing sources increased by 16 percent, which is mainly attributable to an overall increase in tax revenue collections that resulted from tax reform legislation.

**Figure 4** shows General Fund expenditures by function on a basis of budgeting for the year ended June 30, 2005. Overall, expenditures and other financing uses increased by 15.0 percent during fiscal year 2005.

## General Fund Condition - Modified Accrual Basis

Although the Commonwealth budgets and manages its financial affairs using the basis of budgeting, GAAP requires that states use the modified accrual basis of accounting to prepare fund financial statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations throughout the fiscal year or to liquidate liabilities at the end of the fiscal year. Expenditures are recognized when a liability occurs. The accruals recorded on the financial statements for the fiscal year ended June 30, 2005, reflect cash that will not be received or disbursed until fiscal year 2006.

Accruals of revenues and expenditures required by the modified accrual basis of accounting resulted in a decrease of $636.3 million from the $1,865.3 million basis of budgeting General Fund balance (**Figure 5**). Starting in fiscal year 2002 with the implementation of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, full accrual data is also required. Please refer to the Management Discussion and Analysis on page 31 in the Financial Section for additional analysis.

**Analysis of General Fund Revenues and Other Financing Sources**

(Basis of Budgeting)

*(Dollars in Thousands)* *Figure 3*

| | FY 2005 | FY 2004 | Increase (Decrease) Over FY 2004 Amount | Percent |
|---|---|---|---|---|
| Taxes: | | | | |
| Individual and Fiduciary Income | $ 8,352,366 | $ 7,430,365 | $ 922,001 | 12.4 |
| Sales and Use | 3,093,725 | 2,582,797 | 510,928 | 19.8 |
| Corporation Income | 616,690 | 434,493 | 182,197 | 41.9 |
| Public Service Corporations | 88,309 | 86,870 | 1,439 | 1.7 |
| Premiums of Insurance Companies | 373,571 | 351,278 | 22,293 | 6.3 |
| Other | 1,045,283 | 668,380 | 376,903 | 56.4 |
| Subtotal - Taxes | 13,569,944 | 11,554,183 | 2,015,761 | 17.4 |
| Other Revenue | 570,745 | 490,910 | 79,835 | 16.3 |
| Total Revenues | 14,140,689 | 12,045,093 | 2,095,596 | 17.4 |
| Other Financing Sources: | | | | |
| Transfers and Other Sources | 636,063 | 697,884 | (61,821) | (8.9) |
| **Total Revenues and Other Financing Sources** | $ 14,776,752 | $ 12,742,977 | $ 2,033,775 | 16.0 |

**Analysis of General Fund Expenditures By Function and Other Financing Uses**

(Basis of Budgeting)

*(Dollars in Thousands)* *Figure 4*

| | FY 2005 | FY 2004 | Increase (Decrease) Over FY 2004 Amount | Percent |
|---|---|---|---|---|
| General Government | $ 1,484,308 | $ 1,407,323 | $ 76,985 | 5.5 |
| Education | 6,242,886 | 5,272,151 | 970,735 | 18.4 |
| Transportation | 44 | 48 | (4) | (8.3) |
| Resources and Economic Development | 234,857 | 214,116 | 20,741 | 9.7 |
| Individual and Family Services | 3,348,455 | 2,907,139 | 441,316 | 15.2 |
| Administration of Justice | 2,042,773 | 1,906,455 | 136,318 | 7.2 |
| Capital Outlay | 25,368 | 17,830 | 7,538 | 42.3 |
| Total Expenditures | 13,378,691 | 11,725,062 | 1,653,629 | 14.1 |
| Other Financing Uses: | | | | |
| Transfers and Other Uses | 642,289 | 463,135 | 179,154 | 38.7 |
| **Total Expenditures and Other Financing Uses** | $ 14,020,980 | $ 12,188,197 | $ 1,832,783 | 15.0 |

**Analysis of General Fund Balance**

Basis of Budgeting versus Modified Accrual Basis

*(Dollars in Millions)* *Figure 5*

| | FY 2005 | FY 2004 | Variance |
|---|---|---|---|
| **Fund Balance, Budgetary Basis** | $ 1,865.3 | $ 1,109.6 | $ 755.7 |
| Receivables, Inventory and Accrued Revenues: | | | |
| Sales Tax Receivable | 149.5 | 111.3 | 38.2 |
| Other Tax Receivable | 345.5 | 295.1 | 50.4 |
| Other Receivables (1) | 77.0 | 73.0 | 4.0 |
| Inventory | 43.9 | 46.5 | (2.6) |
| Other Accrued Items (2) | 8.4 | (6.7) | 15.1 |
| Total Accrued Receivables, Inventory and Other | 624.3 | 519.2 | 105.1 |
| Payables and Accrued Expenditures: | | | |
| Tax Refunds Payable | 213.7 | 231.4 | (17.7) |
| Deferred Taxes (3) | 262.7 | 231.4 | 31.3 |
| Medicaid Claims Payable | 186.7 | 170.6 | 16.1 |
| Sales Tax Due to Localities | 181.3 | 160.8 | 20.5 |
| Other Accrued Items (4) | 416.2 | 388.4 | 27.8 |
| Total Payables and Accrued Expenditures | 1,260.6 | 1,182.6 | 78.0 |
| Receivables and Accrued Revenues Under Payables and Accrued Expenditures | (636.3) | (663.4) | 27.1 |
| **Fund Balance, Modified Accrual Basis** | $ 1,229.0 | $ 446.2 | $ 782.8 |

(1) This includes Accounts Receivable, Interest Receivable, and Other Taxes Receivable. An additional $308.9 million and $307.0 million in Receivables offset by Deferred Revenue are reported in the General Fund for fiscal year 2005 and fiscal year 2004, respectively. These additional Receivables will be collected after August 31; therefore, the revenue is only reported on the Government-wide Statement of Activities.

(2) This includes Lottery and ABC Profit Transfers, Decrease of Investments to Fair Value which must be recorded in accordance with GASBS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, Due from Other Funds, and accelerated sales tax overpayments. Accelerated sales overpayments of $18,000 and $5.4 million for fiscal year 2005 and fiscal year 2004, respectively, are included as a reduction to Other Accrued Items.

(3) For additional information describing the calculation of Deferred Taxes, see footnote 1.Q.

(4) This includes Accounts Payable, ABC Profits Due to Localities, Other Payments Due to Other Governments, Car Tax Refund Payable, and Due To Other Funds.

## Lottery Transfers to the General Fund

Section 58.1-4022(D) of the *Code of Virginia* requires that the State Lottery transfer to the General Fund the audited balances of the State Lottery Fund, net of established reserves. The Auditor of Public Accounts has certified $423.5 million for transfer to the General Fund for fiscal year 2005. Section 3-1.01.G1 of Chapter 951, 2005 Acts of Assembly, requires that the Comptroller transfer estimated lottery balances to the General Fund prior to the end of the fiscal year. In accordance with Article X, Section 7-A of the Constitution of Virginia, lottery proceeds must be distributed to the Commonwealth's localities and the school divisions to be expended for the purposes of public education.

## Debt Administration

Virginia is one of only six states in the nation with a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service, Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc. and Fitch, Inc. These ratings reflect the Commonwealth's long-standing record of sound fiscal management, its diversified economic base, and low debt ratios.

The total debt of the Commonwealth, as of June 30, 2005, was $20.3 billion. Of that amount, $5.9 billion (29.1 percent) was tax-supported debt. Debt is considered tax supported if State tax revenues are used or pledged for debt service payments. This includes all debt issued pursuant to Article X, Sections 9(a), 9(b) and 9(c) of the Constitution of Virginia, as well as selected Section 9(d) debt issues and other long-term obligations.

Outstanding general obligation debt backed by the full faith and credit of the Commonwealth totaled $954.0 million at June 30, 2005. Included is Section 9(b) debt totaling $520.7 million for Public Facilities and $34.8 million for Transportation Facilities. In 2002, Virginia voters approved two general obligation bond referenda authorizing $1,014.5 million in new capital projects for educational and park and recreational facilities of the Commonwealth. Of the amount authorized, $50.4 million and $162.6 million was issued in June 2003 and August 2004, respectively. Principal and interest payments on Public Facilities Section 9(b) debt were less than one-half of one percent of total General Fund expenditures in fiscal year 2005.

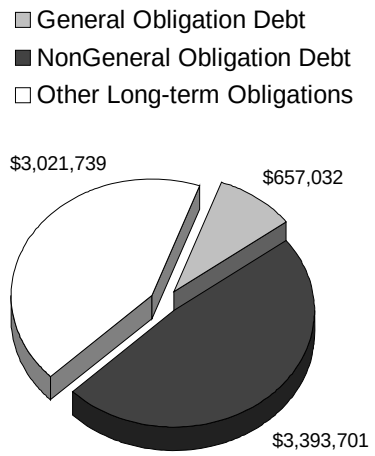
The balance of general obligation debt of $398.5 million, also backed by the full faith and credit of the Commonwealth, consisted of Section 9(c) bonds. Revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities and transportation toll facilities, service these bond payments. Holders of Section 9(c) bonds have a legal claim to general tax revenues of the Commonwealth should revenues prove to be insufficient to meet principal and interest payments. Such claims on general tax revenue have not been made.

The remaining $4.9 billion in tax-supported debt is made up of selected Section 9(d) bonded debt and other long-term obligations. Tax-supported Section 9(d) debt totaling $3.2 billion includes transportation debt, as well as the Virginia Port Authority, Virginia Public Building Authority, Innovative Technology Authority, Virginia Biotechnology Research Park Authority, and certain Virginia College Building Authority bonds payable. Other tax-supported long-term obligations include capital leases, certain appropriation supported bonds, installment purchases, notes payable, pension liability, IDA obligations, Virginia Public Broadcasting Board Notes, and compensated absences.

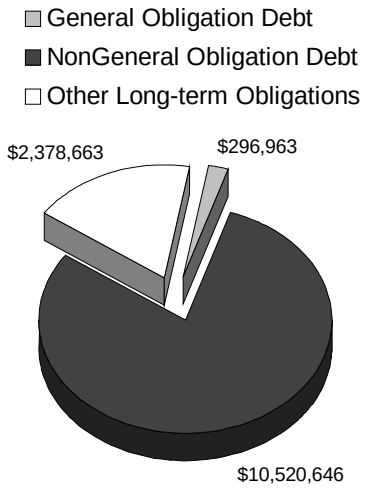
None of the remaining debt of the Commonwealth, which totals $14.4 billion, is supported by tax revenues. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. At June 30, 2005, $1.3 billion, or 9.1 percent, of debt not supported by taxes was considered moral obligation debt.

A detailed summary of all the debt issues may be found in Note 20 to the Financial Statements, as well as in the section entitled "Debt Schedules."

**Total Outstanding Debt**
**Primary Government**
June 30, 2005
*(Dollars in Thousands)* *Figure 6*




**Total Outstanding Debt**
**Component Units**
June 30, 2005
*(Dollars in Thousands)* *Figure 7*



## Investment Policy

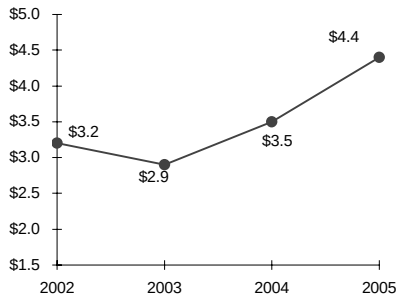
The Commonwealth's primary investment objectives are safety of principal, maintenance of needed liquidity, and attaining a market rate of return throughout budgetary and economic cycles. Accordingly, investments are made in compliance with the *Code of Virginia*, with adherence to specific guidelines adopted by the Treasury Board, and with consideration given to the prevailing investment environment.

The general account of the Commonwealth is a pool of investments representing assets of a number of funds, including the General Fund, various higher education operating funds, and the Commonwealth Transportation Trust Fund. These monies are invested in a variety of high quality securities including U.S. Treasury and agency securities, corporate debt securities of domestic corporations, taxable municipal securities, asset-backed securities, mortgage-backed securities, AAA-rated dollar obligations of foreign governments, bankers acceptances, negotiable certificates of deposit and bank notes, repurchase agreements, and money market funds. The general account portfolio is divided into two pools of assets, the primary liquidity pool and the total return pool. The primary liquidity pool is internally managed by Department of the Treasury (Treasury) staff and is the major source for disbursement requirements and operational needs of the Commonwealth. The objective of the total return pool, which is externally managed, is to generate higher total returns over a market cycle than would be generated by the primary liquidity pool. Treasury's allocation target for the overall general account asset mix is currently 75 percent for the primary liquidity pool and 25 percent for the total return pool.

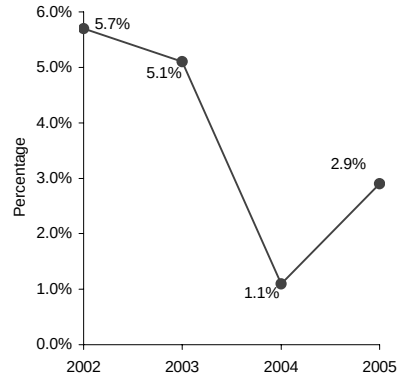
The average daily invested balance (**Figure 8**) for the fiscal year ended June 30, 2005 was $4.4 billion, up $900 million from the fiscal year 2004 average. The average yield or return (**Figure 9**) of 2.9 percent for fiscal year 2005 was significantly higher than the 1.1 percent return for fiscal year 2004, but still low by historical comparisons. The Federal Reserve increased interest rates nine times for a total of 225 basis points from its first rate increase on June 30, 2004 to the end of the fiscal year on June 30, 2005. The targeted federal funds rate was 3.25 percent on June 30, 2005. Earnings on investments (**Figure 10**) for fiscal year 2005 improved to $127.5 million from $38.5 million earned in fiscal year 2004. This increase was the result of an overall increase in investment balances and the general upturn in interest rates.

In addition to the general account of the Commonwealth, the Department of the Treasury manages or sponsors a number of individual customized investment programs and two special purpose investment pools. The Local Government Investment Pool (LGIP) is a special purpose money market-like fund managed by Treasury staff for the benefit of public entities of the Commonwealth in the investment of their short-term funds. The LGIP enables participants to maximize their return on investments by providing a fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The State Non-Arbitrage Program (SNAP) is a program providing comprehensive investment management, accounting, and arbitrage rebate calculations for proceeds of tax-exempt financings of Virginia bond issuers. The Treasury Board contracts with an outside manager for administration of the SNAP program. The Treasury Board has adopted investment guidelines for both the LGIP and SNAP, authorizing them to invest in certain high-quality, short-term securities appropriate for money market funds. Both the LGIP and SNAP portfolios are rated 'AAAm' by Standard & Poor's. LGIP shareholder balances averaged $2.4 billion for the fiscal year ended June 30, 2005, with year-end balances of $2.9 billion. SNAP shareholder balances averaged $2.1 billion for the fiscal year with year-end balances of $2.4 billion.

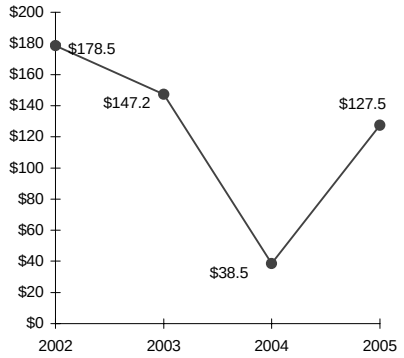
**Average Daily Invested Balance**
By Fiscal Year
*(Dollars in Billions)* *Figure 8*




**Average Yield on Investments**
By Fiscal Year
*Figure 9*




**Net Earnings on Investments**
By Fiscal Year
*(Dollars in Millions)* *Figure 10*



**Risk Management**

The Commonwealth maintains self-insurance programs for employee health, general (tort) liability, medical malpractice, workers' compensation, property, and automobile liability insurance. These are reported in the Internal Service Funds. The Commonwealth assumes the full risk for claims filed under the employee health insurance program and the workers' compensation program. For the other programs, the risk assumed is limited to certain amounts per occurrence.

The Commonwealth also provides employee health, errors and omissions liability and law enforcement professional liability insurance for local governmental units throughout the Commonwealth. These programs are reported in the Enterprise Funds. Additional information on all risk management programs is presented in Note 17 to the Financial Statements.

**Retirement Systems**

The Commonwealth provides a variety of retirement plans for its employees. The majority of employees participate in one of the four defined benefit plans administered by the Commonwealth. These defined benefit plans are the Virginia Retirement System, the State Police Officers' Retirement System, the Judicial Retirement System, and the Virginia Law Officers Retirement System. Certain employees may elect to participate in selected defined contribution pension plans. Further information on the Commonwealth's participation in the retirement systems can be found in Note 12 to the Financial Statements.

**Reporting Entity**

For financial reporting purposes, the Commonwealth's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASBS No. 39 was implemented in fiscal year 2004 and requires the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government. Further information can be found in Note 1.B. to the Financial Statements.

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

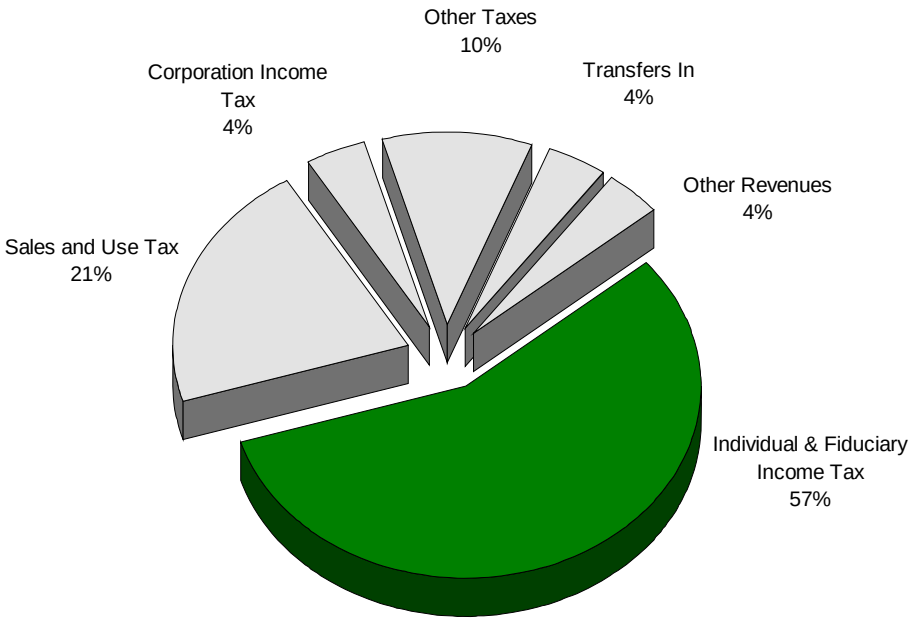
**Internal Controls**

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

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

## General Fund

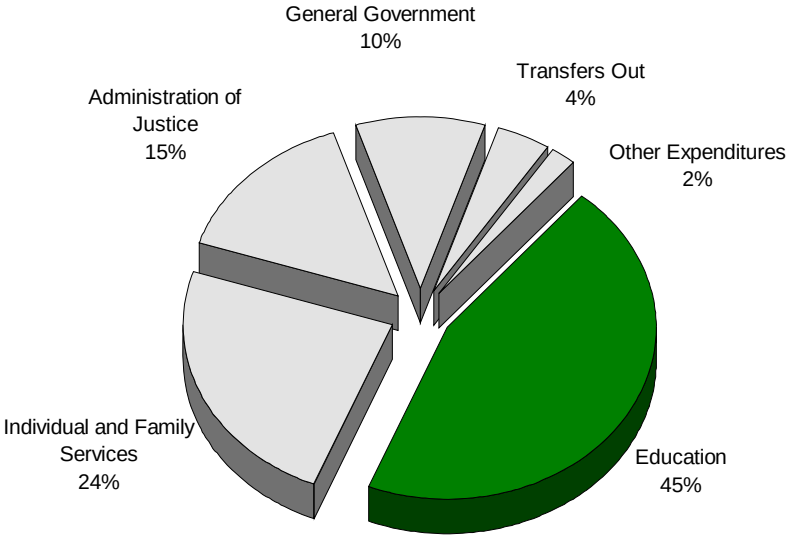
**Figure 11**
**Revenue Dollar**
Fiscal Year 2005
(Basis of Budgeting)




| Revenues and Other Financing Sources | Fiscal Year 2005 | Fiscal Year 2004 |
|---|---|---|
| Individual and Fiduciary Income Tax | 57% | 58% |
| Sales and Use Tax | 21% | 20% |
| Corporation Income Tax | 4% | 3% |
| Other Taxes | 10% | 9% |
| Transfers In | 4% | 6% |
| Other Revenues | 4% | 4% |
| Total | 100% | 100% |

# General Fund

**Figure 12**
**Expenditure Dollar**
Fiscal Year 2005
(Basis of Budgeting)




| Expenditures and Other Financing Uses | Fiscal Year 2005 | Fiscal Year 2004 |
|---|---|---|
| Education (1) | 45% | 43% |
| Individual and Family Services | 24% | 24% |
| Administration of Justice | 15% | 15% |
| General Government (2) | 10% | 12% |
| Transfers Out | 4% | 4% |
| Other Expenditures (3) | 2% | 2% |
| Total | 100% | 100% |

(1) Includes fiscal year 2005 and fiscal year 2004 transfers out to higher education institutions, 9% and 9%, respectively, of Total Expenditures and Other Financing Uses.
(2) Includes payments to localities pursuant to the Personal Property Tax Relief Act of 1998, totaling $907.3 million (62 percent) of fiscal year 2005 and $881.1 million (63 percent) of fiscal year 2004 total General Government expenditures.
(3) Includes Transportation, Resources and Economic Development, and Capital Outlay expenditures.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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President

Executive Director

# Virginia Economic Highlights

## Introduction

Economists at the Virginia Commonwealth University's Center for Urban Development prepared this economic highlights section. Building upon the growth of fiscal year 2004, fiscal year 2005 has been an excellent year for Virginia's economy. Unemployment continued its downward trend, employment has grown in nearly every industry sector and almost every urban center, real wages and salaries and personal income increased sharply, and the housing and retail markets performed very well.

## Unemployment

The unemployment rate in the Commonwealth declined from 3.9 percent in fiscal year 2004 to 3.5 percent in fiscal year 2005, over a 10 percent decrease (**Figure 13**). This marks the lowest unemployment rate for Virginia since fiscal year 2001. Moreover, Virginia had the fourth lowest unemployment rate in the United States in fiscal year 2005, matching last fiscal year's ranking and surpassing the sixth lowest ranking in fiscal year 2003. The nation's unemployment rate was 5.3 percent in fiscal year 2005, 1.8 percentage points higher than the Commonwealth's.

Several Metropolitan Statistical Areas (MSAs) [1] [2] had higher rates of unemployment than Virginia as a whole: the Blacksburg-Christiansburg-Radford MSA (3.8 percent), the Danville MSA (7.5 percent), the Lynchburg MSA (4.0 percent), the Richmond MSA (3.8 percent), the Virginia portion of the Kingsport-Bristol MSA (4.8 percent), and the Virginia portion of the Virginia Beach-Norfolk-Newport News MSA (4.1 percent). Only four MSAs had unemployment rates lower than the Commonwealth's: the Charlottesville MSA (3.0 percent), the Harrisonburg MSA (3.0 percent), the Virginia portion of the Winchester MSA (2.9 percent), and the Virginia portion of the Washington-Arlington-Alexandria MSA (2.6 percent). It is interesting to note that the combined labor forces of these four MSAs comprise approximately 40 percent of the Commonwealth's total labor force. The Virginia portion of the Washington-Arlington-Alexandria MSA, alone, accounted for over one third of the Virginia labor force in fiscal year 2005. The Northern Virginia region, having the combination of the lowest unemployment rate and the largest labor force in Virginia, is the main driving force behind the Commonwealth's low unemployment rate.

## Employment

Total non-farm employment grew by 2.4 percent in fiscal year 2005 to reach 3,619,650 workers. The Virginia economy added 84,458 jobs. This marks the second straight fiscal year that employment has grown in the Commonwealth (1.3 percent growth in fiscal year 2004). Virginia ranked fifth in the nation in the number of total non-farm jobs added in fiscal year 2005 behind Florida, California, Texas and Arizona.

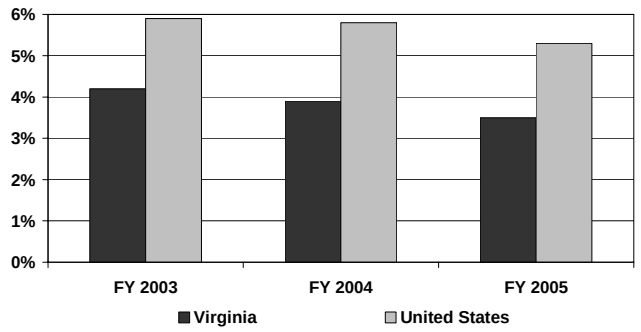
As depicted in **Figure 14**, only two sectors incurred slight declines in employment in fiscal year 2005, manufacturing (-167 jobs or -0.1 percent) and information (-617 jobs or -0.6 percent). Professional and business services posted the largest increase in employment (25,600 or 4.6 percent). The other sectors that experienced significant gains in employment are: construction (11,975 or 5.3 percent), trade, transportation and utilities (11,383 or 1.8 percent) and total government (11,283 or 1.8 percent). The sectors that moderately increased employment are: education and heath services (9,817 or 2.6 percent), leisure and hospitality (7,725 or 2.5 percent), other services (4,050 or 2.3 percent) financial activities (3,392 or 1.8 percent) and natural resources and mining (17 or 0.2 percent).

The vast majority of Virginia's 3.6 million non-farm jobs are located in MSAs (88.3 percent). In fiscal year 2005, MSA non-farm employment reached 3,195,575, and non-MSA non-farm employment was 424,075. MSAs added 86,142 jobs (2.8 percent), while non-MSAs lost 1,683 jobs (-0.4 percent) over fiscal year 2004 levels (**Figure 15**).

The Virginia portion of the Washington-Arlington-Alexandria MSA accounted for about 62 percent of the increase in non-farm employment in the State (53,400 or 4.5 percent). The other MSAs posting significant gains were: the Richmond MSA (13,133 or 2.2 percent) and the Virginia Beach-Norfolk-Newport News MSA (11,575 or 1.6 percent). The MSAs posting modest gains were: the Roanoke MSA (2,225 or 1.4 percent), the Charlottesville MSA (2,042 or 2.3 percent), the Harrisonburg MSA (1,450 or 2.4 percent), the Winchester MSA (1,342 or 2.5 percent), the Blacksburg MSA (1,192 or 1.7 percent) and the Lynchburg MSA (633 or 0.6 percent). The Danville MSA was the only MSA in the Commonwealth that did not show positive non-farm employment growth in fiscal year 2005 (-850 or -1.9 percent).

**Figure 13**

**Unemployment Rate, FY 2003 - FY 2005**




Source: Bureau of Labor Statistics

[1] The United States Office of Management and Budget re-defined Virginia's MSAs in June, 2003. Current definitions are not comparable with those used in previous Virginia Economic Highlights.

[2] Where data are available, only the Virginia portion of interstate MSAs is included in the analysis.

**Figure 14**
**Nonfarm Employment, FY 2003 - FY 2005**

| | FY 2005 Level | FY 2004-2005 Unit Change | Virginia Growth Rates | | | United States Growth Rate |
|---|---|---|---|---|---|---|
| | | | FY 2002-2003 | FY 2003-2004 | FY 2004-2005 | FY 2004-2005 |
| Natural Resources and Mining | 10,217 | 17 | (8.7)% | 0.2% | 0.2% | 5.1% |
| Construction | 236,242 | 11,975 | (0.8) | 4.8 | 5.3 | 3.8 |
| Manufacturing | 299,183 | (167) | (4.4) | (4.6) | (0.1) | (0.0) |
| Trade, Transportation, and Utilities | 653,183 | 11,383 | (0.8) | 1.2 | 1.8 | 1.3 |
| Information | 100,400 | (617) | (8.7) | (1.3) | (0.6) | (0.5) |
| Financial Activities | 191,042 | 3,392 | 2.0 | 1.8 | 1.8 | 1.6 |
| Professional and Business Services | 586,667 | 25,600 | (1.2) | 2.9 | 4.6 | 3.2 |
| Education and Health Services | 384,667 | 9,817 | 3.6 | 2.2 | 2.6 | 2.3 |
| Leisure and Hospitality | 322,058 | 7,725 | 1.5 | 2.7 | 2.5 | 2.3 |
| Other Services | 181,067 | 4,050 | 2.6 | (0.4) | 2.3 | 0.7 |
| Government | 654,925 | 11,283 | 0.7 | 1.2 | 1.8 | 0.6 |
| Federal | 153,142 | 3,367 | 0.9 | 1.7 | 2.2 | (0.6) |
| State | 146,167 | 2,242 | (1.7) | 0.6 | 1.6 | 0.7 |
| Local | 355,617 | 5,675 | 1.7 | 1.2 | 1.6 | 0.9 |
| Total Nonfarm Employment | 3,619,650 | 84,458 | (0.3) | 1.3 | 2.4 | 1.6 |

Source: Bureau of Labor Statistics

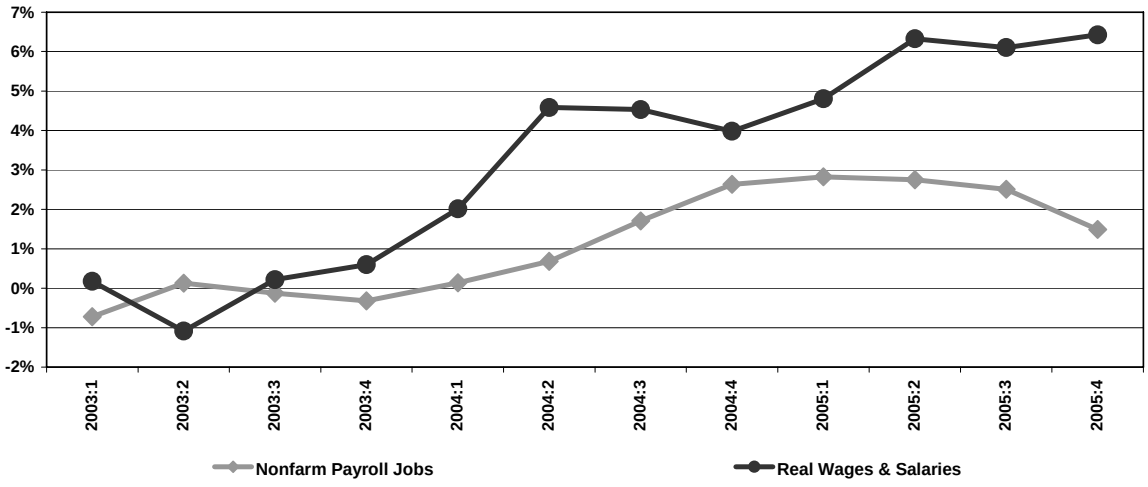
**Figure 15**
**Nonfarm Employment, Metropolitan and Non-metropolitan Areas**

| | FY 2005 | FY 2004-2005 Unit Change | FY 2004-2005 Growth Rate |
|---|---|---|---|
| **Metropolitan Statistical Areas** | 3,195,575 | 86,142 | 2.8% |
| Blacksburg | 71,925 | 1,192 | 1.7 |
| Charlottesville | 92,475 | 2,042 | 2.3 |
| Danville | 43,675 | (850) | (1.9) |
| Harrisonburg | 61,917 | 1,450 | 2.4 |
| Lynchburg | 102,592 | 633 | 0.6 |
| Washington-Arlington-Alexandria MSA (VA portion) | 1,246,392 | 53,400 | 4.5 |
| Richmond | 608,550 | 13,133 | 2.2 |
| Roanoke | 158,908 | 2,225 | 1.4 |
| Virginia Beach-Norfolk-Newport News | 754,292 | 11,575 | 1.6 |
| Winchester | 54,850 | 1,342 | 2.5 |
| **Non-Metropolitan Statistical Areas** | 424,075 | (1,683) | (0.4) |

Source: Bureau of Labor Statistics

**Figure 16**

**Growth in Jobs and in Real Wages and Salaries**
**(Year-Over-Year by Fiscal Year Quarters)**




Source: Bureau of Labor Statistics and Bureau of Economic Analysis

**Wages and Salaries**

**Figure 16** shows the year-over-year quarterly growth rates in both real wages and salaries and non-farm payroll jobs. In eleven of the past twelve quarters, the year-over-year quarterly growth rate in the Commonwealth's real wages and salaries has been positive, and in fiscal year 2005, this growth rate accelerated. The average year-over-year quarterly growth rate in real wages and salaries reached 5.9 percent in fiscal year 2005, compared to 3.8 percent in fiscal year 2004 and 0.0 percent in fiscal year 2003. With Virginia's relatively low unemployment rate, firms have needed to pay higher salaries in order to attract workers who are in high demand.

The year-over-year quarterly growth rate in non-farm payroll jobs has been positive for nine of the past twelve quarters. The average year-over-year quarterly growth rate in non-farm payroll jobs was 2.4 percent in fiscal year 2005, 1.3 percent in fiscal year 2004 and –0.3 percent in fiscal year 2003. After five consecutive quarters of increasing year-over-year quarterly growth rates beginning in fiscal year 2004, the year-over-year quarterly growth rate in non-farm payroll jobs slowed over the last three quarters of fiscal year 2005.

**Figure 17**
**Wages and Salaries per Job**

| | Virginia Pay/Job FY 2005 | United States Pay/Job FY 2005 | Virginia Minus United States | Virginia FY 2004-2005 % Change | United States FY 2004-2005 % Change |
|---|---|---|---|---|---|
| Natural Resources and Mining | $ 58,728 | $ 89,390 | $ (30,662) | 9.0% | 3.8% |
| Construction | 40,796 | 42,507 | (1,711) | 5.2 | 3.0 |
| Manufacturing | 43,340 | 49,320 | (5,980) | 5.0 | 5.2 |
| Trade, Transportation, and Utilities | 34,010 | 36,010 | (2,000) | 4.4 | 4.6 |
| Information | 72,198 | 62,113 | 10,085 | 2.0 | 4.4 |
| Financial Activities | 60,386 | 63,711 | (3,325) | 7.1 | 5.3 |
| Professional and Business Services | 60,316 | 49,849 | 10,467 | 7.3 | 5.1 |
| Education and Health Services | 35,674 | 37,091 | (1,417) | 5.4 | 4.4 |
| Leisure and Hospitality | 16,469 | 18,354 | (1,885) | 3.6 | 3.3 |
| Other Services | 31,504 | 31,852 | (348) | 4.1 | 4.4 |
| Government | 43,854 | 39,784 | 4,070 | 4.4 | 2.8 |
| Total Non-farm Employment | 42,281 | 41,005 | 1,276 | 5.4 | 4.3 |

Source: Bureau of Labor Statistics

**Figure 18**

**Personal Income and Wage and Salary Disbursements**

| | Annual Growth Rates | | |
|---|---|---|---|
| | **FY 2002-2003** | **FY 2003-2004** | **FY 2004-2005** |
| Virginia Personal Income | 3.2 | 6.0 | 8.3 |
| Virginia Wages and Salaries | 2.2 | 6.1 | 8.5 |
| United States Personal Income | 2.1 | 4.7 | 6.5 |
| United States Wages and Salaries | 1.4 | 4.0 | 6.8 |
| Inflation, PCE Chain-Type Index | 1.8 | 2.1 | 2.7 |
| Virginia Real Personal Income | 1.4 | 3.8 | 5.5 |
| Virginia Real Wages and Salaries | 0.4 | 4.0 | 5.6 |
| United States Real Personal Income | 0.3 | 2.6 | 3.7 |
| United States Real Wages and Salaries | (0.4) | 1.9 | 3.1 |

Sources: Bureau of Labor Statistics and Bureau of Economic Analysis

In **Figure 17**, wages and salaries per job have been calculated by major industry division for Virginia and the United States. In fiscal year 2005, the Commonwealth's average pay per job of $42,281 was $1,275 more the nation's average pay per job of $41,005. Two industries are the main reason that Virginia's workers had a higher pay per job, on average, than the United States as a whole, information (+$10,085) and professional and business services (+$10,467). These two highly sought after industries have been a focus of State and Local economic development efforts for a number of years. The only other industry in which Virginia's wages and salaries per job were higher than the United States in fiscal year 2005 was government (+$4,070). The industries where wages and salaries were lower in the Commonwealth than the nation in fiscal year 2005 were: natural resources and mining (-$30,662), manufacturing (-$5,980), financial activities (-$3,325), trade, transportation and utilities (-$2,000), leisure and hospitality (-$1,885), construction (-$1,711), education and health services (-$1,417) and other services (-$348).

In fiscal year 2005, Virginia had a larger percentage increase than the nation in wages and salaries per job in seven of eleven major industry divisions. The industries in which pay per job increased substantially were: natural resources and mining (9.0 percent), professional and business services (7.3 percent), and financial activities (7.1 percent). The industries in which pay per job increased moderately were: education and health services (5.4 percent), construction (5.2 percent), manufacturing (5.0 percent), government (4.4 percent), trade, transportation and utilities (4.4 percent), other services (4.1 percent), leisure and hospitality (3.6 percent) and information (2.0 percent).

**Personal Income**

As shown in **Figure 18**, Virginia personal income reached approximately $280 billion in fiscal year 2005, an 8.3 percent increase over fiscal year 2004. The Commonwealth ranked fifth in the nation in personal income growth in fiscal year 2005. Wages and salaries increased by 8.5 percent to over $162 billion. Virginia ranked sixth in the United States in wages and salaries growth in fiscal year 2005. Wages and salaries accounted for 58.0 percent of personal income in fiscal year 2005, slightly more than 57.9 percent in fiscal year 2004 and 57.8 percent in fiscal year 2003. Virginia has outpaced the United States in personal income growth and wage and salary growth in each of the past three fiscal years. Between fiscal year 2004 and 2005, the Virginia personal income growth rate and the Virginia wages and salaries growth rate exceeded the nation's growth rates by 1.8 percent and 1.7 percent, respectively.

After accounting for inflation, the Virginia real personal income growth rate was higher than that of the United States in each of the last three fiscal years: by 5.5 percent to 3.7 percent in fiscal year 2005; 3.8 percent to 2.6 percent in fiscal year 2004; and 1.4 to 0.3 percent in fiscal year 2003. Virginia real wages and salaries grew by 5.6 percent compared to 3.1 percent for the nation in fiscal year 2005, 4.0 percent to 1.9 percent in fiscal year 2004 and 0.4 percent to –0.4 percent in fiscal year 2003.

### New Privately Owned Housing Units Authorized

As depicted in **Figure 19**, in fiscal year 2005, new privately owned housing units authorized in Virginia fell slightly from the fiscal year 2004 level. In fiscal year 2005, 60,163 units were authorized, compared to 60,467 in fiscal year 2004 and 58,379 in fiscal year 2003. The Commonwealth ranked eighth in the nation in new privately owned housing units authorized in fiscal year 2005.

### Retail Sales

Virginia retail sales were approximately $83.4 billion in fiscal year 2005 (**Figure 20**), a $4.7 billion increase over fiscal year 2004 and $12.5 billion more than fiscal year 2003. The growth rate in retail sales was 6.0 percent between fiscal year 2004 and fiscal year 2005, down from the historically high growth rate of 11.0 percent between fiscal year 2003 and fiscal year 2004.

**Figure 21** shows the growth rate of adjusted retail sales for Virginia and the United States. In order to make the two series comparable, lodging sales were removed from Virginia retail sales and gasoline and automobile sales were removed from the United States retail sales. The Commonwealth's adjusted retail sales growth rate of 6.2 percent between fiscal year 2004 and fiscal year 2005 was slightly less than the nation's growth rate (6.6 percent). However, over the past three fiscal years Virginia's adjusted retail sales increased by a total of 21.9 percent compared to 18.0 percent for the United States.

### Forecasts

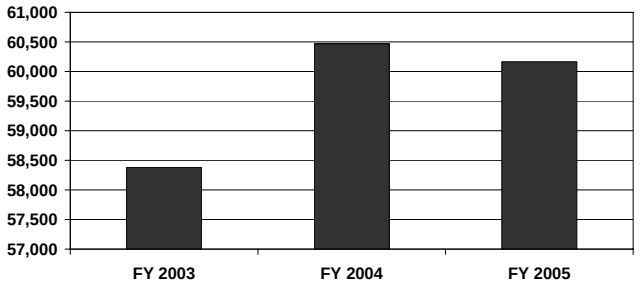
The Center for Urban Development has prepared forecasts for several Virginia economic indicators included in this outlook. For fiscal year 2006, non-farm employment is expected to grow by 1.8 percent, real personal income by 3.0 percent, real wages and salaries by 4.0 percent and retail sales by 2.2 percent. The unemployment rate is expected to continue to decline and is projected to be about 3.3 percent for fiscal year 2006. While still expanding, the Commonwealth's economy in fiscal year 2006 is likely to grow at a slower pace than it did in fiscal year 2005.

### Conclusion

Virginia's economy has continued to expand in most areas in fiscal year 2005. The Commonwealth is ranked among the top states in the nation in a number of categories including the unemployment rate, employment growth, wage and salary growth, personal income growth and new housing units authorized. The outlook for Virginia in the coming fiscal year is very positive.

**Figure 19**

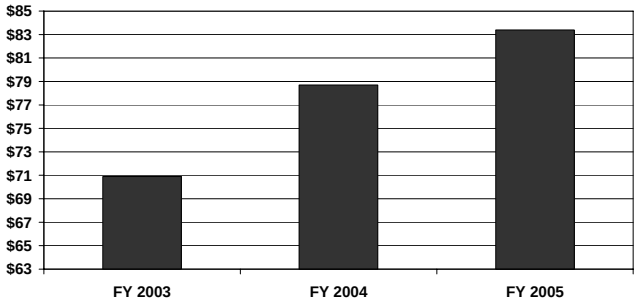
**Virginia New Privately Owned Housing Units Authorized**




Source: Census Bureau

**Figure 20**

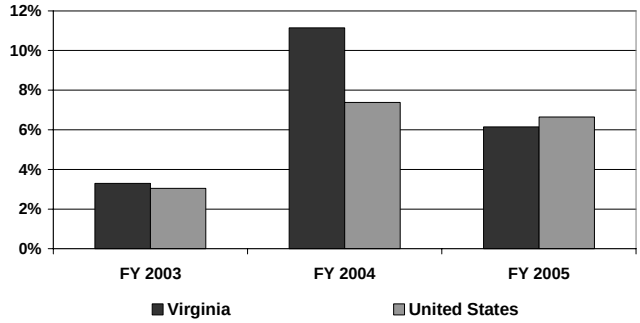
**Virginia Retail Sales (Billions of Dollars)**




Source: Virginia Department of Taxation

**Figure 21**

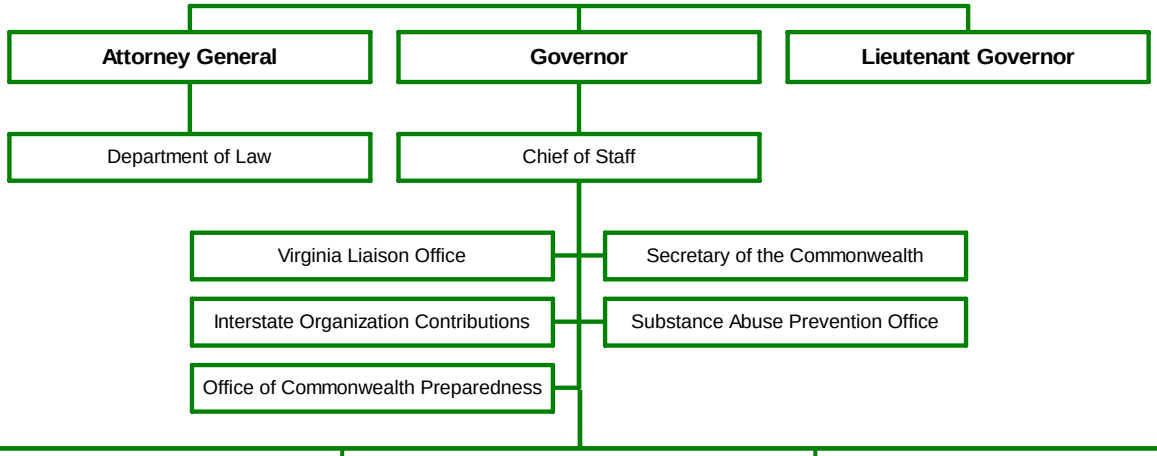
**Growth Rate of Adjusted Retail Sales**




Source: Virginia Department of Taxation and Bureau of the Census

# Organization of Executive Branch of Government

**As of June 30, 2005**




**Secretary of Administration**
Commonwealth Competition Council
Compensation Board
Department of Charitable Gaming
Department of Employment Dispute Resolution
Department of General Services
Department of Human Resource Management
Human Rights Council
State Board of Elections

**Secretary of Agriculture and Forestry**
Department of Agriculture and Consumer Services
Department of Forestry

**Secretary of Commerce and Trade**
Board of Accountancy
Department of Business Assistance
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals and Energy
Department of Minority Business Enterprise
Department of Professional and Occupational Regulation
Virginia Agricultural Council
Virginia Economic Development Partnership
Virginia Employment Commission
Virginia Racing Commission
Virginia Tourism Authority

**Secretary of Finance**
Department of Accounts
Department of Planning and Budget
Department of Taxation
Department of Treasury
Treasury Board

**Secretary of Education**
Christopher Newport University
The College of William and Mary
Department of Education
Frontier Culture Museum of Virginia
George Mason University
Gunston Hall
Institute for Advanced Learning and Research
James Madison University
Jamestown-Yorktown Foundation
Jamestown 2007
The Library of Virginia
Longwood University
Norfolk State University
Old Dominion University
Radford University
Roanoke Higher Education Authority
The Science Museum of Virginia
Southwest Virginia Higher Education Center
State Council of Higher Education for Virginia
University of Mary Washington
University of Virginia
Virginia College Building Authority
Virginia Commission for the Arts
Virginia Commonwealth University
Virginia Community College System
Virginia Military Institute
Virginia Museum of Fine Arts
Virginia Polytechnic Institute and State University
Virginia School for the Deaf and Blind at Staunton
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton
Virginia State University

**Secretary of Natural Resources**
Chesapeake Bay Local Assistance Department
Chippokes Plantation Farm Foundation
Department of Conservation and Recreation
Department of Environmental Quality
Department of Game and Inland Fisheries
Department of Historic Resources
Marine Resources Commission
Virginia Museum of Natural History

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

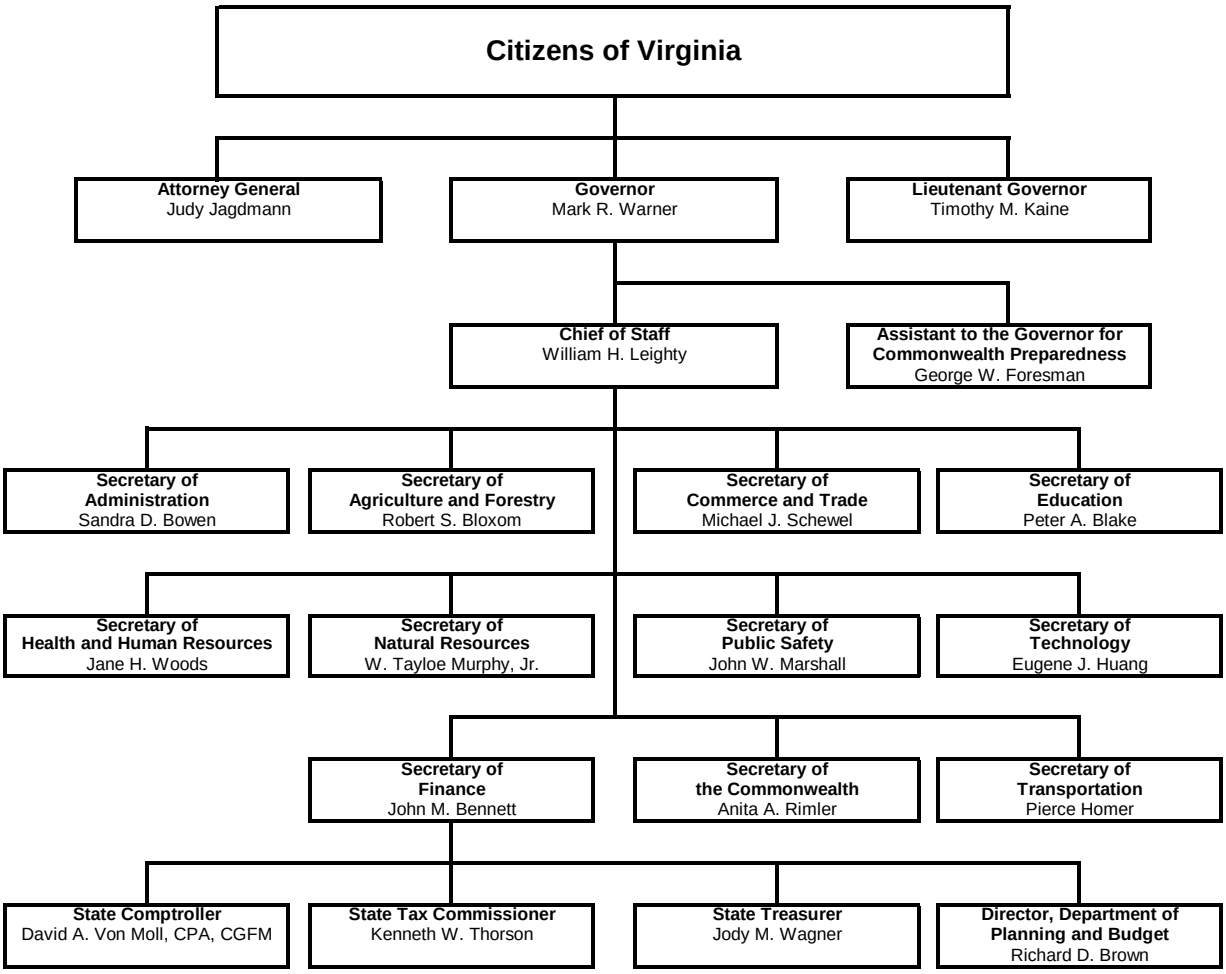
**Secretary of Public Safety**
Commonwealth's Attorneys' Services Council
Department of Alcoholic Beverage Control
Department of Correctional Education
Department of Corrections
Department of Criminal Justice Services
Department of Emergency Management
Department of Fire Programs
Department of Juvenile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

**Secretary of Technology**
Innovative Technology Authority
Virginia Information Technologies Agency

**Secretary of Transportation**
Department of Aviation
Department of Motor Vehicles
Department of Rail and Public Transportation
Department of Transportation
Motor Vehicle Dealer Board
Virginia Port Authority

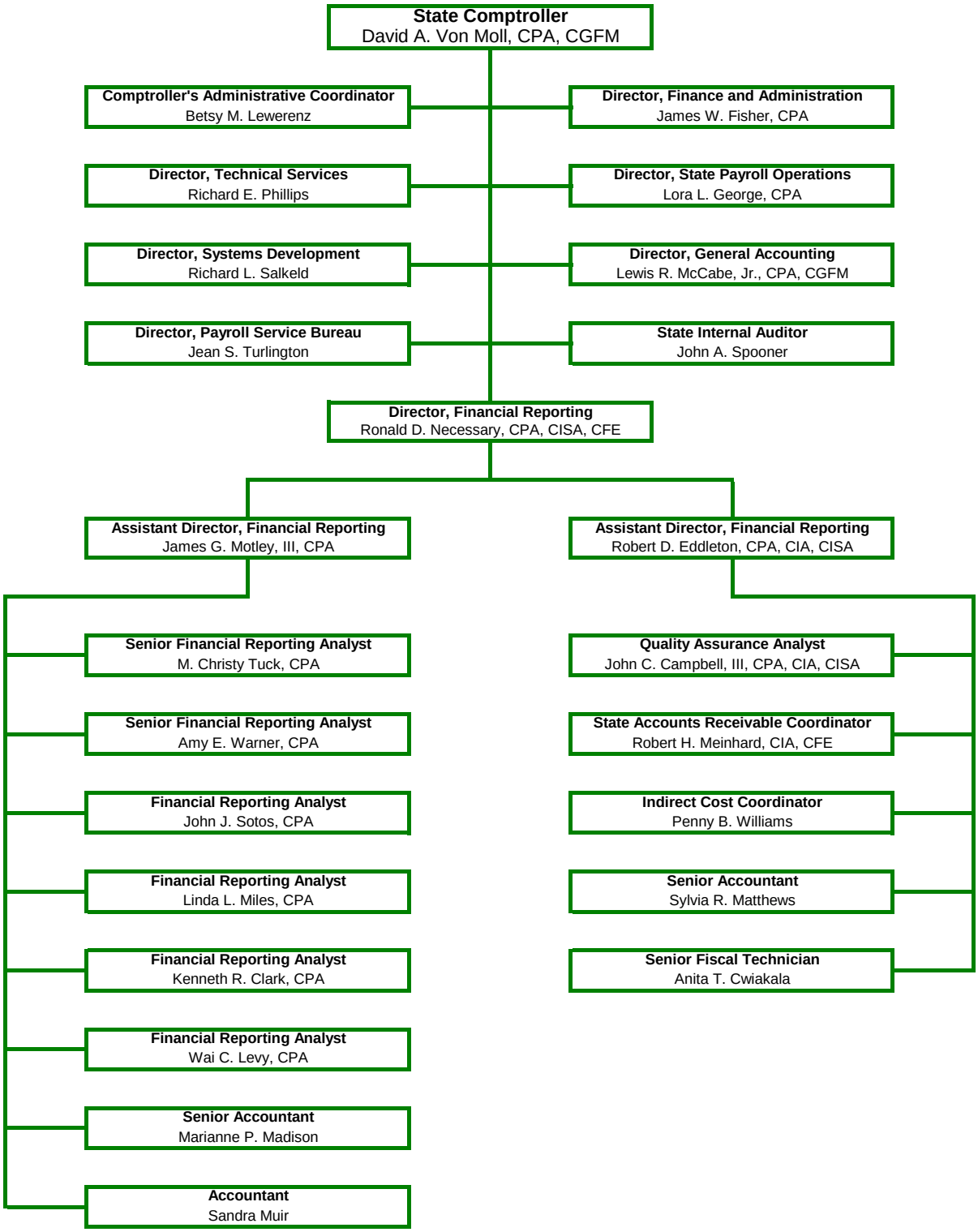
# Organization of Government
# Selected Government Officials - Executive Branch

**As of December 15, 2005**



# Organization of the Department of Accounts

**As of December 15, 2005**



# FINANCIAL SECTION

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

Walter J. Kucharski, Auditor

# Commonwealth of Virginia

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

December 14, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2005, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pocahontas Parkway Association enterprise fund, which is both a major fund and represents 10.81 percent, -33.46 percent, and 0.45 percent, respectively, of the assets, net assets, and revenues of the business-type activities. We did not audit the financial statements of the State Non-Arbitrage Pool, which represents 2.39 percent, 2.51 percent, and 7.72 percent, respectively, of the assets, net assets, and revenues of the aggregate remaining fund information. We did not audit the financial statements of certain components units of the Commonwealth discussed in Note 1.B., which represent 33.97 percent, 22.48 percent, and 8.21 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pocahontas Parkway Association, State Non-Arbitrage Pool, and certain component units discussed in Note 1.B. is based on the reports of the other auditors.

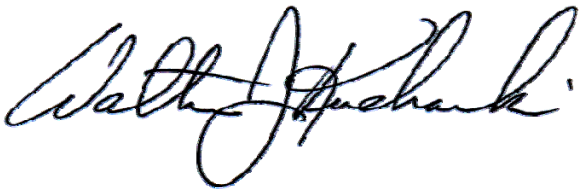
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedule, funding progress for defined benefit pension plans, and claims development information on pages 31 through 41 and 158 through 168 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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



AUDITOR OF PUBLIC ACCOUNTS

# Management's Discussion and Analysis

The following is a discussion and analysis of the Commonwealth of Virginia's (Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2005. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, which are located after this analysis.

## FINANCIAL HIGHLIGHTS

### Government-wide Highlights

The Primary Government's assets exceeded its liabilities at June 30, 2005, by $14.3 billion. Net assets of governmental activities increased by $1.4 billion and net assets of business-type activities increased by $235.1 million. Component units reported an increase in net assets of $1.5 billion from June 30, 2004.

### Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $3.7 billion, an increase of $979.5 million in comparison with the prior year. Of this total fund balance, $2.8 billion represents unreserved fund balance and the remaining $943.4 million represents amounts reserved for specific purposes, such as the Revenue Stabilization Fund and education. The enterprise funds reported net assets at June 30, 2005, of $417.5 million, an increase of $233.4 million during the year.

### Long-term Debt

The Commonwealth's total debt rose during the fiscal year to $20.3 billion, an increase of $1.9 billion or 10.1 percent. During fiscal year 2005, the Commonwealth issued $3.7 billion of new debt. The majority of new debt issues were due to refunding old debt. More detailed information regarding these activities begins on page 130.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-wide Statements

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

The Statement of Net Assets (pages 44 and 45) presents information on all of the Commonwealth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Commonwealth is improving or deteriorating.

The Statement of Activities (pages 46 and 47) presents information showing how the Commonwealth's net assets changed during fiscal year 2005. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

**Business-type Activities** – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the Commonwealth include the State Lottery, Virginia College Savings Plan, Pocahontas Parkway (a privatized toll-road project), and Unemployment Insurance Fund.

**Discretely Presented Component Units** – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 21 non-higher education component units and 20 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 52 and 56) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (full accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

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

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Commonwealth's funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 50 and provide detailed information about the major individual funds.

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

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

The Commonwealth reports 12 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 8 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Proprietary funds** – The Commonwealth maintains two different types of proprietary funds, enterprise and internal service. These funds report activities that operate more like those of private sector business and use the full accrual basis of accounting. Enterprise funds report activities that charge fees for supplies or services to the general public like the State Lottery. Enterprise funds are reported as business-type activities on the government-wide financial statements. The enterprise funds use the full accrual basis of accounting and the only differences between amounts reported on the government-wide statements and the Enterprise Fund statements are due to internal service fund activity (see reconciliations on pages 58 and 60). Internal Service funds report activities that charge fees for supplies and services to other Commonwealth agencies, like Fleet Management. Internal Service funds are reported as governmental activities in the government-wide statements because these types of services predominantly benefit governments rather than business-type functions.

  The Commonwealth reports 31 individual proprietary funds. Information is presented separately in the proprietary fund statements for the State Lottery Department, Virginia College Savings Plan, Pocahontas Parkway Association, and Unemployment Compensation Funds, all of which are considered major funds. Data from the other enterprise funds are aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because the resources of these funds are restricted and cannot be used to finance the Commonwealth's operations. The Commonwealth's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Nets Assets beginning on page 68.

  The Commonwealth's fiduciary funds are the:

  - Private-purpose Trust, which reports the activities for 6 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
  - Pension Trust, which reports the activities of 9 separate pension and other employment retirement plans for employees;
  - Investment Trust, which accounts for the activities of the 3 external investment pools; and,
  - Agency, which accounts for assets held on behalf of others in 19 separate funds.

  Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

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

**Other Information**

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 169 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Primary Government's assets exceeded its liabilities by $14.3 billion during the fiscal year. The net assets of the governmental activities increased $1.4 billion or 10.9 percent, while business-type activities had an increase of $235.1 million or 127.6 percent. This large increase was mainly due to increases for the Virginia College Savings Plan and the Unemployment Insurance Fund which are discussed in more detail on pages 37 and 38. The government-wide beginning balance was restated for correction of prior year errors to arrive at a restated beginning balance of $12.5 billion.

Figure 22
**Net Assets as of June 30, 2005 and 2004**
(Dollars in Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and other assets | $ 7,902,206 | $ 6,373,608 | $ 2,878,094 | $ 2,339,250 | $ 10,780,300 | $ 8,712,858 |
| Capital assets | 14,830,515 | 14,017,682 | 339,440 | 344,473 | 15,169,955 | 14,362,155 |
| Total assets | 22,732,721 | 20,391,290 | 3,217,534 | 2,683,723 | 25,950,255 | 23,075,013 |
| Long-term liabilities outstanding | 4,773,133 | 4,438,077 | 2,299,339 | 2,035,207 | 7,072,472 | 6,473,284 |
| Other liabilities | 4,036,604 | 3,401,053 | 498,919 | 464,293 | 4,535,523 | 3,865,346 |
| Total liabilities | 8,809,737 | 7,839,130 | 2,798,258 | 2,499,500 | 11,607,995 | 10,338,630 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 11,829,878 | 11,097,037 | (132,310) | 22,117 | 11,697,568 | 11,119,154 |
| Restricted | 1,252,362 | 856,916 | 600,218 | 411,994 | 1,852,580 | 1,268,910 |
| Unrestricted | 840,744 | 598,207 | (48,632) | (249,888) | 792,112 | 348,319 |
| Total net assets | $ 13,922,984 | $ 12,552,160 | $ 419,276 | $ 184,223 | $ 14,342,260 | $ 12,736,383 |

The largest portion of the Primary Government's net assets (81.6 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and infrastructure), less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Primary Government uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Primary Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (see Figure 22).

An additional portion of the Primary Government's net assets (12.92 percent) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of $792.1 million are unrestricted net assets (see Figure 22).

Approximately 96.9 percent of the Primary Government's total general revenue came from taxes. While the Primary Government's expenses cover many services, the largest expenses are for Education, Individual and Family Services, and Transportation. General revenues normally fund governmental activities. For fiscal year 2005, governmental activity program and general revenues exceeded expenses by $1.6 billion. Program revenues exceeded expenses from business-type activities by $757.7 million. The following condensed financial information was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets (see page 46).

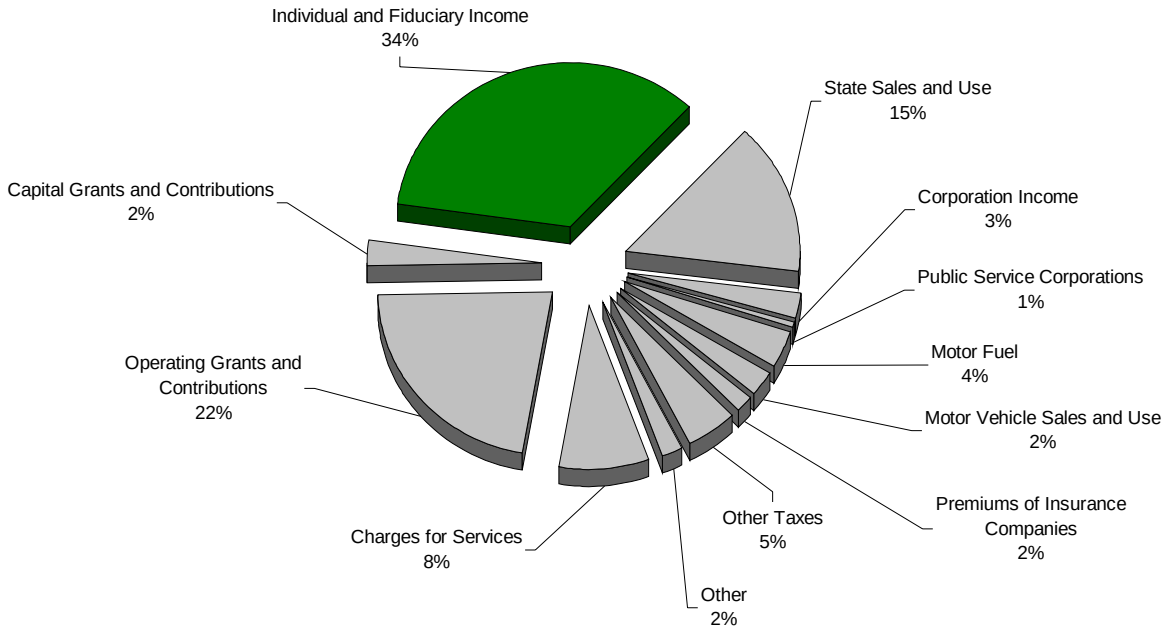
Figure 23
**Changes in Net Assets for the Fiscal Years Ended June 30, 2005 and 2004**
(Dollars in Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 1,999,510 | $ 1,935,446 | $ 3,008,729 | $ 2,507,230 | $ 5,008,239 | $ 4,442,676 |
| Operating Grants and Contributions | 5,262,170 | 5,312,347 | 19,205 | 16,861 | 5,281,375 | 5,329,208 |
| Capital Grants and Contributions | 578,416 | 734,334 | - | - | 578,416 | 734,334 |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Individual and Fiduciary Income | 8,356,263 | 7,363,659 | - | - | 8,356,263 | 7,363,659 |
| State Sales and Use | 3,578,159 | 3,014,336 | - | - | 3,578,159 | 3,014,336 |
| Corporation Income | 651,170 | 412,030 | - | - | 651,170 | 412,030 |
| Public Service Corporations | 89,091 | 91,770 | - | - | 89,091 | 91,770 |
| Motor Fuel | 912,035 | 907,640 | - | - | 912,035 | 907,640 |
| Motor Vehicle Sales and Use | 598,741 | 588,935 | - | - | 598,741 | 588,935 |
| Premiums of Insurance Companies | 373,571 | 351,333 | - | - | 373,571 | 351,333 |
| Other Taxes | 1,107,576 | 783,931 | 12,096 | 12,152 | 1,119,672 | 796,083 |
| Unrestricted Grants and Contributions | 52,703 | 51,919 | - | - | 52,703 | 51,919 |
| Investment Earnings | 154,306 | 25,529 | 9,913 | 8,775 | 164,219 | 34,304 |
| Miscellaneous | 291,025 | 283,653 | 662 | 382 | 291,687 | 284,035 |
| Contributions to Permanent Funds | - | 31 | - | - | - | 31 |
| Total Revenues | 24,004,736 | 21,856,893 | 3,050,605 | 2,545,400 | 27,055,341 | 24,402,293 |
| Expenses: | | | | | | |
| General Government | 2,029,571 | 1,946,633 | - | - | 2,029,571 | 1,946,633 |
| Education | 7,268,677 | 6,496,639 | - | - | 7,268,677 | 6,496,639 |
| Transportation | 2,493,336 | 2,217,124 | - | - | 2,493,336 | 2,217,124 |
| Resources and Economic Development | 764,599 | 687,254 | - | - | 764,599 | 687,254 |
| Individual and Family Services | 7,991,041 | 7,587,126 | - | - | 7,991,041 | 7,587,126 |
| Administration of Justice | 2,261,787 | 2,126,114 | - | - | 2,261,787 | 2,126,114 |
| Interest and Charges on Long-term Debt | 166,491 | 171,944 | - | - | 166,491 | 171,944 |
| State Lottery | - | - | 908,021 | 846,491 | 908,021 | 846,491 |
| Virginia College Savings Plan | - | - | 310,967 | 4,391 | 310,967 | 4,391 |
| Pocahontas Parkway | - | - | 38,797 | 36,626 | 38,797 | 36,626 |
| Unemployment Insurance | - | - | 359,189 | 484,875 | 359,189 | 484,875 |
| Nonmajor | - | - | 653,259 | 611,244 | 653,259 | 611,244 |
| Total Expenses | 22,975,502 | 21,232,834 | 2,270,233 | 1,983,627 | 25,245,735 | 23,216,461 |
| Excess/deficiency before transfers | 1,029,234 | 624,059 | 780,372 | 561,773 | 1,809,606 | 1,185,832 |
| Transfers | 535,130 | 549,246 | (535,130) | (549,246) | - | - |
| Increase in net assets | 1,564,364 | 1,173,305 | 245,242 | 12,527 | 1,809,606 | 1,185,832 |
| Net assets, July 1, as restated | 12,358,620 | 11,378,855 | 174,034 | 171,696 | 12,532,654 | 11,550,551 |
| Net assets, June 30 | $ 13,922,984 | $ 12,552,160 | $ 419,276 | $ 184,223 | $ 14,342,260 | $ 12,736,383 |

**Governmental Activities Revenues**

The following is a graphical representation of the Statement of Activities revenues for governmental activities.

Figure 24
**Revenues by Source – Governmental Activities**
**Fiscal Year 2005**



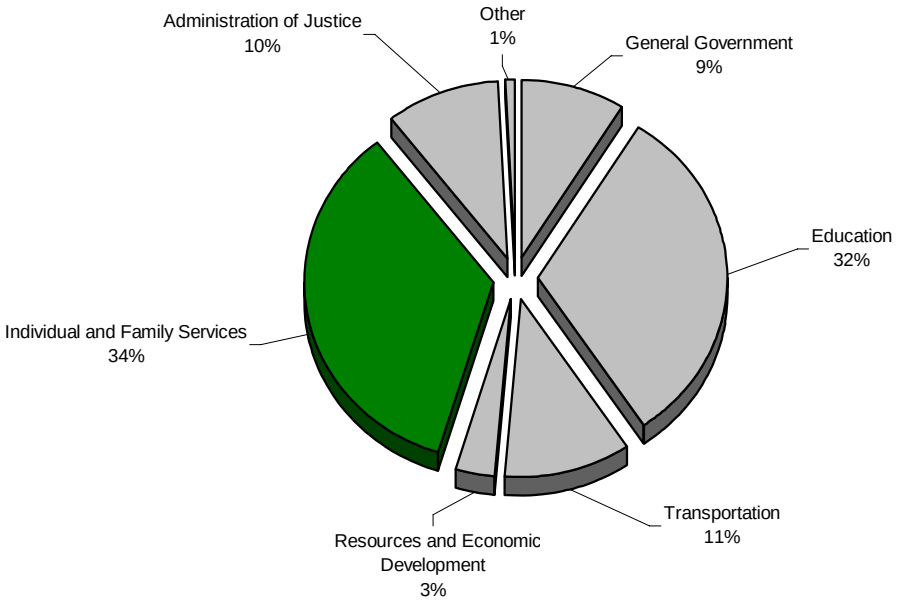

The Commonwealth's overall financial position increased in fiscal year 2005 when compared to fiscal year 2004, due to the increases in enhanced compliance programs. Net collections increased 24 percent as a significant amount of revenue last year was collected during the Tax Amnesty period and somewhat distorts the comparison.

General fund revenue collections increased by 19.1 percent in fiscal year 2005 when compared to fiscal year 2004. This increase is attributable to a strong increase in Individual Nonwithholding payments (estimated and final) and corporate income tax payments. In addition, the increase is due to the tax reform legislation that increased the Recordation Tax (up 10 cents per hundred effective August 2004) and the Virginia Retail Sales and Use Tax (effective September 1, 2004) from 4.5 percent to 5 percent.

**Governmental Activities Expenses**

The following is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by $1.7 billion or 8.2 percent. The majority of the increase is related to the General Fund which is discussed further on pages 38 and 39.

Figure 25
**Expenses by Type – Governmental Activities**
**Fiscal Year 2005**




**Net Assets of Business-type Activities**

Net assets of business-type activity increased by $235.1 million during the fiscal year. Factors contributing to this change were:

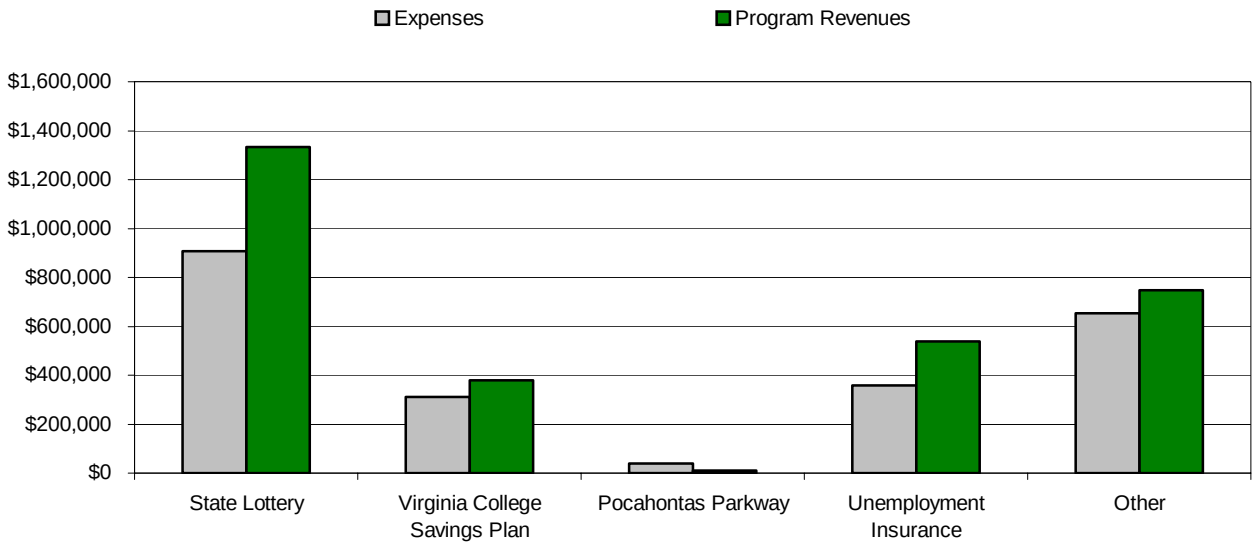
- Lottery sales increased by $71.6 million (5.7 percent) over last year to a record $1.334 billion. Net income was a record $432.7 million, an increase of $11.8 million (2.8 percent) from fiscal year 2004. Sales of all Lottery products, except Lotto South, increased in fiscal year 2005. Sales of Scratch games increased by $48.6 million (7.7 percent) and Mega Millions increased $5.2 million (3.9 percent). The decline in Lotto South was 8.6 percent.

- Virginia College Savings Plan's net assets increased by $68.3 million (53.1 percent), from a deficit of $128.5 million to a deficit of $60.2 million. This improvement in financial position is primarily attributable to lower than expected tuition increases at Virginia higher education institutions, greater than estimated investment gains, and additional revenue from the approximately 11,000 new contracts issued during the fiscal year. In addition, continued favorable market conditions generated greater interest income as well as increased the fair value of investments. Interest and accounts receivable together increased by $1.4 million over the prior year. Tuition contributions receivable, which represents the actuarially determined amount to be collected from contract holders, increased by $80.0 million, or 35.7 percent, while total tuition benefits payable increased by $272.7 million (23.6 percent). Both increases are a direct result of the sale of over 11,000 new contracts.

- Pocahontas Parkway Association (The Association) experienced its third full year of operation in 2005 and toll revenues increased $2.7 million (35 percent) over last year. As of June 2005, actual traffic using the facility averaged about 105,000 vehicles per week, which is approximately 48 percent of the initial forecast. Investment earnings remained relatively constant with the previous year due to the influence of the Guaranteed Investment Contracts. In accordance with the Trust Indenture, the Trustee transferred $204,432 to the Virginia Department of Transportation's Capital Cost Savings Account. The Association's accumulated deficit balance increased to ($140.3) million in fiscal year 2005 from ($115.1) million in fiscal year 2004. This change is due to debt service expenses, operating expenses, and the transfer to the Capital Cost Savings Account exceeding revenues by $25.2 million. In April 2005, Moody's Investor Service downgraded the Association's Senior Toll Road Revenue Bonds from Ba2 to Ba3 and the First Tier Subordinate Bonds from B1 to B3. In August 2005, Standard & Poor's downgraded the Senior bonds from BB to BB-. There was no change in the rating from Fitch's (BBB-) during the year.

- Unemployment Insurance Fund cash and cash equivalents balance increased $183.4 million during fiscal year 2005 compared to a decrease of $97.9 million in fiscal year 2004. This increase is primarily the result of higher rates for unemployment insurance and lower payouts of unemployment benefits. The average insurance rate for 2005 was 1.66 percent, including pool charge of .22 percent and fund building charge of .20 percent versus a fiscal year 2004 average rate of 1.52 percent. Unemployment rates of 3.4 percent in fiscal year 2005 versus 3.9 percent in fiscal year 2004 show the continued economic recovery.

Figure 26
**Business-type Activities**
**Program Revenues and Expenses**
**For the Fiscal Year Ended June 30, 2005**
(Dollars in Thousands)




## FUND STATEMENTS FINANCIAL ANALYSIS

As of the end of the fiscal year, the Primary Government's governmental funds reported combined ending fund balances of $3.7 billion. Of this total amount, $2.8 billion, or 74.6 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to a variety of other restricted purposes such as outstanding debt and capital outlay.

### General Fund Highlights

The General Fund is the chief operating fund of the Primary Government. At the end of the current fiscal year, unreserved fund balance of the general fund was $520.5 million and reserved fund balance was $708.5 million. Total fund balance of the general fund increased by $783.0 million during the fiscal year. The fiscal year 2005 general fund revenues were 19.1 percent greater than the fiscal year 2004 revenues.

The 2004-2006 adopted budget includes $1.3 billion in net additional general revenues generated from the revision of the general fund revenue forecast, the phase out of state sales tax on food, the transfer of $23.2 million to transportation for rail services, $6.7 million to reflect conformity to recent federal tax law changes and a sizeable increase in transfers from Lottery and ABC profits. The net surplus is supported by the revenue growth in fiscal year 2004 and strong economic growth in fiscal year 2005.

The adopted tax policy changes include:

- accelerated sales tax phase out, with a revenue impact of $200.1 million;
- advanced reduction in food sales tax to the entire 1½ percent with a revenue impact of $99.1 million;
- selective deconformity which passes federal tax benefits to small businesses and individuals, having a revenue impact of $6.7 million; and,
- car rental tax, with a revenue impact of $23.2 million, which has been redirected as a source for rail improvement.

Spending increases include:

- $229.4 million deposited to Revenue Stabilization Fund representing both the constitutionally required deposit and the "super" deposit required by the Code of Virginia;
- $212.2 million to meet the projected cost of Medicaid services for mandated clients;
- $163.9 million for capital projects and maintenance reserve purposes;
- $347.6 million for a variety of new transportation initiatives;
- $131.7 million salary increases for teachers, state employees, college faculty;
- $86.4 million for water quality improvement;
- $292.1 million for the Virginia Health Care Fund; and,
- $147.6 million for the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund.

**Major Special Revenue Fund Highlights**

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $1.36 billion, which is an increase of $41.1 million from the prior year. The increase in fund balance was primarily the result of transfer activity. In fiscal year 2004, the Commonwealth Transportation Fund had net transfers out to other funds of $128 million compared to net transfers in of $117 million in fiscal year 2005. The General Fund transferred $200 million to the fund as part of the 2005 Transportation Initiative to replenish the fund. The transfers were used to fund a $193.4 increase in transportation expenditures, including a 21 percent increase in maintenance expenditures for primary and secondary road maintenance which was offset by a 9 percent decrease in construction expenditures.

The Federal Trust Fund balance increased by $41.2 million. The increase is primarily the result of the State Board of Elections receiving an advance funded grant. Expenditures decreased by $220.5 million when compared to fiscal year 2004. Education expenditures were much higher in fiscal year 2004 due to the one time $240.7 million disbursement of funds received pursuant to the Jobs and Growth Tax Relief Act.

The Literary Fund balance declined $17.8 million (5.3 percent) when compared to the prior fiscal year. While total revenues increased by $36.2 million, or 26.5 percent, total expenditures increased by $14.4 million, or 7.8 percent and Other Financing Sources decreased $3.7 million or 28.6 percent. The increase in revenues is the result of the Literary Fund receiving $35.0 million more in transfers from the Unclaimed Property fund than in fiscal year 2004. The ending cash balance in the Literary Fund was $101.0 million (which is $14.0 million or 16 percent above the $87.0 million balance in fiscal year 2004). Of that amount, $4.0 million has already been obligated to be disbursed in the future.

**Capital Asset and Debt Administration**

**Capital assets**. The Primary Government's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to $15.2 billion (net of accumulated depreciation totaling $10.0 billion). This investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and infrastructure. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. The increase in the Primary Government's investment in governmental capital assets was primarily attributable to infrastructure increases of $611 million. The Primary Government reports equipment with a value of $50,000 or greater and an expected useful life of two or more years. The Primary Government capitalizes all property, plant, and infrastructure that have a cost or value greater than $100,000.

Additional information on the Primary Government's capital assets can be found in Note 11, "Capital Assets."

Figure 27
**Capital Assets as of June 30, 2005**
(Net of Depreciation)
(Dollars in Thousands)

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Land | $ 1,575,836 | $ 16,412 | $ 1,592,248 |
| Buildings | 1,374,686 | 7,144 | 1,381,830 |
| Equipment | 259,559 | 25,099 | 284,658 |
| Infrastructure | 8,872,880 | 284,893 | 9,157,773 |
| Construction in Progress | 2,747,554 | 5,892 | 2,753,446 |
| Total | $ 14,830,515 | $ 339,440 | $ 15,169,955 |

**Long-term debt.** The Commonwealth does not issue general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of $20.3 billion. Total tax supported debt is $5.9 billion and total debt not supported by taxes is $14.4 billion. Total debt backed by the full faith and credit of the government is $954.0 million and $1.3 billion is considered moral obligation debt. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2005, the Commonwealth issued $3.7 billion of new debt for various projects. Additional information on the Commonwealth's outstanding debt can be found in Note 20. Further, the Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service, Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which have been issued to redeem previous debt obligations, are limited to 30 percent of 1.15 times the annual tax revenues for fiscal year 2005. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2003, 2004 and 2005. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2003, 2004 and 2005. The current debt limitation for the Commonwealth is $4.2 billion, $11.7 billion, and $11.9 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt.

Figure 28
**Outstanding Debt as of June 30, 2005**
**General Obligation and Revenue Bonds**
(Dollars in Thousands)

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| General obligation bonds | | | | |
| 9(b) | $ 555,447 | $ - | $ 555,447 | $ - |
| 9(c) | 101,585 | - | 101,585 | 296,963 |
| Revenue bonds | - | 463,357 | 463,357 | - |
| Total | $ 657,032 | $ 463,357 | $ 1,120,389 | $ 296,963 |

**Economic Factors and Outlook**

Building upon the growth of last year, fiscal year 2005 has been an excellent year for the Commonwealth. On average, the year-over-year quarterly growth rate in real wages and salaries reached 5.5 percent in fiscal year 2005. Fourth quarter fiscal year 2005 has been estimated by Virginia Commonwealth University's Center for Urban Development. Retail sales amounted to $83.4 billion in fiscal year 2005, a 6.0 percent increase over fiscal year 2004. New housing in Virginia fell slightly (less than 1 percent), however, increases in wages and salaries, personal income, employment, and retail sales have helped the Commonwealth continue its economic expansion during fiscal year 2005. For a more in-depth discussion on the Commonwealth's economy see "Virginia Economic Highlights" on page 17.

**Requests for Information**

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

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

# Government-wide Financial Statements

## Statement of Net Assets

June 30, 2005
(Dollars in Thousands)

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Assets** | | | | |
| Cash and Cash Equivalents (Notes 1 and 5) | $ 3,448,494 | $ 700,613 | $ 4,149,107 | $ 1,775,434 |
| Investments (Notes 1 and 5) | 2,205,050 | 1,722,699 | 3,927,749 | 7,527,730 |
| Receivables, Net (Notes 1 and 6) | 2,018,260 | 490,893 | 2,509,153 | 2,622,794 |
| Contributions Receivable, Net (Notes 1 and 7) | - | - | - | 269,518 |
| Internal Balances (Note 1) | 84,647 | (84,647) | - | - |
| Due from Primary Government (Note 8) | - | - | - | 15,164 |
| Due from Component Units (Note 8) | - | - | - | 24,651 |
| Inventory (Note 1) | 117,074 | 40,053 | 157,127 | 65,662 |
| Prepaid Items (Note 1) | 6,996 | 3,142 | 10,138 | 62,607 |
| Other Assets (Notes 1 and 9) | 8,090 | 5,341 | 13,431 | 72,565 |
| Loans Receivable from Primary Government (Notes 1 and 8) | - | - | - | 168,315 |
| Loans Receivable from Component Units (Notes 1 and 8) | 13,595 | - | 13,595 | - |
| Restricted Cash and Cash Equivalents (Notes 5 and 10) | - | - | - | 1,068,076 |
| Restricted Investments (Notes 5 and 10) | - | - | - | 3,156,742 |
| Other Restricted Assets (Note 10) | - | - | - | 5,360,419 |
| Nondepreciable Capital Assets (Notes 1 and 11) | 4,323,390 | 22,304 | 4,345,694 | 1,747,658 |
| Depreciable Capital Assets, Net (Notes 1 and 11) | 10,507,125 | 317,136 | 10,824,261 | 5,420,461 |
| Total Assets | 22,732,721 | 3,217,534 | 25,950,255 | 29,357,796 |
| **Liabilities** | | | | |
| Accounts Payable (Notes 1 and 18) | 710,752 | 38,090 | 748,842 | 720,431 |
| Amounts Due to Other Governments | 489,352 | 4,268 | 493,620 | 68,215 |
| Due to Component Units (Note 8) | 15,164 | - | 15,164 | 24,651 |
| Unearned Revenue (Note 1) | 109,487 | 5,666 | 115,153 | 219,324 |
| Claims Payable (Notes 1 and 17) | 320,974 | 26,679 | 347,653 | - |
| Obligations Under Securities Lending Program (Notes 1 and 5) | 1,265,164 | 363,213 | 1,628,377 | 152,900 |
| Other Liabilities (Notes 1 and 19) | 957,396 | 61,003 | 1,018,399 | 745,594 |
| Loans Payable to Primary Government (Notes 1 and 8) | - | - | - | 13,595 |
| Loans Payable to Component Units (Notes 1 and 8) | 168,315 | - | 168,315 | - |
| Long-term Liabilities: | | | | |
| Due Within One Year (Notes 1, 16, and 20) | 460,981 | 132,968 | 593,949 | 1,158,344 |
| Due in More Than One Year (Notes 1, 16, and 20) | 4,312,152 | 2,166,371 | 6,478,523 | 12,037,928 |
| Total Liabilities | 8,809,737 | 2,798,258 | 11,607,995 | 15,140,982 |

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

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 11,829,878 | (132,310) | 11,697,568 | 4,595,853 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | - | - | - | 1,690,797 |
| Permanent Funds | 26,124 | - | 26,124 | - |
| Other | - | - | - | 84,329 |
| Expendable: | | | | |
| Higher Education | - | - | - | 3,067,540 |
| Permanent Funds | 2,387 | - | 2,387 | - |
| Revenue Stabilization Fund | 664,195 | - | 664,195 | - |
| Literary Fund | 319,212 | - | 319,212 | - |
| Gifts and Grants | 76,122 | - | 76,122 | - |
| Unemployment Compensation | - | 557,607 | 557,607 | - |
| Virginia Pooled Investment Program | - | - | - | 5,149 |
| Capital Projects/Construction/Capital Acquisition | 73,293 | 187 | 73,480 | 966,330 |
| Debt Service | 75,575 | 42,413 | 117,988 | 108,003 |
| Retainage | - | 11 | 11 | - |
| Bond Indenture | - | - | - | 1,437,188 |
| Unexpended Lottery Proceeds | 15,454 | - | 15,454 | - |
| Other | - | - | - | 480,723 |
| Unrestricted | 840,744 | (48,632) | 792,112 | 1,780,902 |
| Total Net Assets | $ 13,922,984 | $ 419,276 | $ 14,342,260 | $ 14,216,814 |

## Statement of Activities

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| Governmental Activities: | | | | |
| General Government | $ 2,029,571 | $ 258,011 | $ 159,388 | $ - |
| Education | 7,268,677 | 272,276 | 635,461 | 231 |
| Transportation | 2,493,336 | 536,672 | 12,516 | 564,663 |
| Resources and Economic Development | 764,599 | 241,163 | 195,144 | 3,964 |
| Individual and Family Services | 7,991,041 | 397,338 | 4,211,662 | 3,488 |
| Administration of Justice | 2,261,787 | 294,050 | 47,999 | 6,070 |
| Interest and Charges on Long-term Debt | 166,491 | - | - | - |
| Total Governmental Activities | 22,975,502 | 1,999,510 | 5,262,170 | 578,416 |
| | | | | |
| Business-type Activities: | | | | |
| State Lottery | 908,021 | 1,333,946 | - | - |
| Virginia College Savings Plan | 310,967 | 379,392 | - | - |
| Pocahontas Parkway | 38,797 | 10,344 | - | - |
| Unemployment Compensation | 359,189 | 538,393 | 18,014 | - |
| Other | 653,259 | 746,654 | 1,191 | - |
| Total Business-type Activities | 2,270,233 | 3,008,729 | 19,205 | - |
| | | | | |
| Total Primary Government | $ 25,245,735 | $ 5,008,239 | $ 5,281,375 | $ 578,416 |
| | | | | |
| **Component Units:** | | | | |
| Virginia Housing Development Authority | $ 403,430 | $ 379,572 | $ 122,857 | $ - |
| Virginia Public School Authority | 140,477 | 124,118 | - | - |
| Higher Education: | | | | |
| Major | 4,497,460 | 2,987,732 | 922,429 | 66,154 |
| Nonmajor | 2,719,927 | 1,124,787 | 476,160 | 101,270 |
| Other Nonmajor | 567,646 | 421,492 | 9,847 | 34,422 |
| Total Component Units | $ 8,328,940 | $ 5,037,701 | $ 1,531,293 | $ 201,846 |
| | | | | |
| General Revenues: | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | | | | |
| Sales and Use | | | | |
| Corporation Income | | | | |
| Public Service Corporations | | | | |
| Motor Fuel | | | | |
| Motor Vehicle Sales and Use | | | | |
| Premiums of Insurance Companies | | | | |
| Other Taxes | | | | |
| Operating Appropriations from Primary Government | | | | |
| Unrestricted Grants and Contributions | | | | |
| Investment Earnings | | | | |
| Miscellaneous | | | | |
| Contributions to Permanent/Term Endowments | | | | |
| VCBA Payments to Schools | | | | |
| Tobacco Master Settlement | | | | |
| Transfers | | | | |
| Total General Revenues, Transfers, and Special Items | | | | |
| Change in Net Assets | | | | |
| Net Assets - July 1, as restated (Note 2) | | | | |
| Net Assets - June 30 | | | | |

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

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| | | | |
| | | | |
| $ (1,612,172) | $ - | $ (1,612,172) | $ - |
| (6,360,709) | - | (6,360,709) | - |
| (1,379,485) | - | (1,379,485) | - |
| (324,328) | - | (324,328) | - |
| (3,378,553) | - | (3,378,553) | - |
| (1,913,668) | - | (1,913,668) | - |
| (166,491) | - | (166,491) | - |
| (15,135,406) | - | (15,135,406) | - |
| | | | |
| | | | |
| - | 425,925 | 425,925 | - |
| - | 68,425 | 68,425 | - |
| - | (28,453) | (28,453) | - |
| - | 197,218 | 197,218 | - |
| - | 94,586 | 94,586 | - |
| - | 757,701 | 757,701 | - |
| | | | |
| (15,135,406) | 757,701 | (14,377,705) | - |
| | | | |
| | | | |
| - | - | - | 98,999 |
| - | - | - | (16,359) |
| | | | |
| - | - | - | (521,145) |
| - | - | - | (1,017,710) |
| - | - | - | (101,885) |
| - | - | - | (1,558,100) |
| | | | |
| | | | |
| | | | |
| 8,356,263 | - | 8,356,263 | - |
| 3,578,159 | - | 3,578,159 | - |
| 651,170 | - | 651,170 | - |
| 89,091 | - | 89,091 | - |
| 912,035 | - | 912,035 | - |
| 598,741 | - | 598,741 | - |
| 373,571 | - | 373,571 | - |
| 1,107,576 | 12,096 | 1,119,672 | - |
| - | - | - | 1,527,231 |
| 52,703 | - | 52,703 | 42,488 |
| 154,306 | 9,913 | 164,219 | 633,745 |
| 291,025 | 662 | 291,687 | 125,843 |
| - | - | - | 151,227 |
| - | - | - | 123,102 |
| - | - | - | 467,966 |
| 535,130 | (535,130) | - | - |
| 16,699,770 | (512,459) | 16,187,311 | 3,071,602 |
| 1,564,364 | 245,242 | 1,809,606 | 1,513,502 |
| 12,358,620 | 174,034 | 12,532,654 | 12,703,312 |
| $ 13,922,984 | $ 419,276 | $ 14,342,260 | $ 14,216,814 |

# Governmental Funds

## General Fund

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

## Special Revenue Funds

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

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

**The Federal Trust Fund** accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. In addition, federal funds received from Medicaid intergovernmental transfers and for the Commonwealth's share of claims are reported in the Other – Special Revenue Fund. The entire fund is restricted pursuant to federal regulations. As such, a separate fund balance reservation is not reflected.

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

**Nonmajor Governmental Funds** include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 171 in the Combining and Individual Fund Statements and Schedules section of this report.

## Balance Sheet – Governmental Funds

June 30, 2005
(Dollars in Thousands)

| | General | Special Revenue: Commonwealth Transportation | Special Revenue: Federal Trust | Special Revenue: Literary |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents (Notes 1 and 5) | $ 585,087 | $ 1,634,150 | $ 151,068 | $ 126,638 |
| Investments (Notes 1 and 5) | 2,049,089 | 85,616 | 3,172 | 5,464 |
| Receivables (Net) (Notes 1 and 6) | 868,334 | 255,437 | 400,573 | 399,570 |
| Due from Other Funds (Note 8) | 8,128 | 28,603 | 10,289 | - |
| Interfund Receivable (Note 8) | - | - | - | - |
| Inventory (Note 1) | 43,932 | 46,865 | 5,546 | - |
| Other Assets (Notes 1 and 9) | 1,479 | 2,716 | 1,658 | - |
| Loans Receivable from Component Units (Notes 1 and 8) | - | - | - | - |
| Total Assets | $ 3,556,049 | $ 2,053,387 | $ 572,306 | $ 531,672 |
| **Liabilities and Fund Balances** | | | | |
| Accounts Payable (Notes 1 and 18) | $ 215,744 | $ 216,366 | $ 90,765 | $ 196 |
| Amounts Due to Other Governments | 289,420 | 59,756 | 138,513 | - |
| Due to Other Funds (Note 8) | 46,806 | 15,421 | 7,035 | - |
| Due to Component Units (Note 8) | - | - | - | - |
| Interfund Payable (Note 8) | - | - | 4,485 | - |
| Deferred Revenue (Note 1) | 296,296 | 31,119 | 32,398 | 12,769 |
| Unearned Revenue (Note 1) | 18 | 21,839 | 29,661 | - |
| Deferred Taxes (Note 1) | 262,688 | - | - | - |
| Obligations Under Securities Lending Program (Notes 1 and 5) | 773,402 | 344,154 | 18,098 | 31,180 |
| Other Liabilities (Notes 1 and 19) | 441,862 | 2,814 | 189,026 | - |
| Loans Payable to Component Units (Notes 1 and 8) | - | - | - | 168,315 |
| Long-term Liabilities (Notes 1, 16, and 20) | 788 | 174 | 43 | - |
| Total Liabilities | 2,327,024 | 691,643 | 510,024 | 212,460 |
| Fund Balances Reserved for (Note 1): | | | | |
| Revenue Stabilization Fund | 664,195 | - | - | - |
| Unexpended Lottery Proceeds | 352 | - | - | - |
| Inventory | 43,932 | 46,865 | 5,546 | - |
| Debt Service | - | - | - | - |
| Gifts and Grants | - | 438 | - | - |
| Capital Acquisition | - | - | - | - |
| Other | - | 15,102 | - | - |
| Fund Balances Unreserved, Reported in (Note 1): | | | | |
| General Fund | 520,546 | - | - | - |
| Special Revenue Funds | - | 1,299,339 | 56,736 | 319,212 |
| Capital Projects Funds | - | - | - | - |
| Permanent Funds | - | - | - | - |
| Total Fund Balances | 1,229,025 | 1,361,744 | 62,282 | 319,212 |
| Total Liabilities and Fund Balances | $ 3,556,049 | $ 2,053,387 | $ 572,306 | $ 531,672 |

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

| Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| $ 732,144 | $ 3,229,087 |
| 54,535 | 2,197,876 |
| 74,191 | 1,998,105 |
| 7,545 | 54,565 |
| 70,019 | 70,019 |
| 4,720 | 101,063 |
| 1,198 | 7,051 |
| 13,595 | 13,595 |
| $ 957,947 | $ 7,671,361 |
| | |
| $ 85,294 | $ 608,365 |
| 379 | 488,068 |
| 13,141 | 82,403 |
| 15,164 | 15,164 |
| 3,350 | 7,835 |
| 8,119 | 380,701 |
| 5,843 | 57,361 |
| - | 262,688 |
| 57,393 | 1,224,227 |
| 4,104 | 637,806 |
| - | 168,315 |
| 238 | 1,243 |
| 193,025 | 3,934,176 |
| | |
| - | 664,195 |
| - | 352 |
| 4,720 | 101,063 |
| 75,575 | 75,575 |
| 13,391 | 13,829 |
| 73,293 | 73,293 |
| - | 15,102 |
| - | 520,546 |
| 602,777 | 2,278,064 |
| (33,345) | (33,345) |
| 28,511 | 28,511 |
| 764,922 | 3,737,185 |
| $ 957,947 | $ 7,671,361 |

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

June 30, 2005
(Dollars in Thousands)

| | |
|---|---|
| **Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)** | $ 3,737,185 |
| When capital assets (land, buildings, equipment, improvements, construction in progress, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Primary Government as a whole. | 14,758,872 |
| Long-term liabilities applicable to the Primary Government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets. | |
| Pension Liability | (614,937) |
| Capital Lease | (133,077) |
| Installment Purchases | (13,840) |
| Compensated Absences | (302,471) |
| Uninsured Employer's Fund | (18,762) |
| Regional Jails | (15,030) |
| Bonds | (3,587,377) |
| Notes | (31,155) |
| Accrued Interest Payable | (51,529) |
| Other Obligations | (27,100) |
| Internal service funds are used by the Primary Government to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets. | (126,215) |
| Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds. | (53,367) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 380,713 |
| Noncurrent amounts owed to special revenue funds from proprietary funds are not recorded in the fund statements due to the fact that revenue recognition criteria were not met. These amounts are reported in the Statement of Net Assets. | 21,074 |
| **Net assets of governmental activities (see Government-wide Statement of Net Assets)** | $ 13,922,984 |

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

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

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | | Special Revenue | | |
|---|---|---|---|---|
| | General | Commonwealth Transportation | Federal Trust | Literary |
| **Revenues** | | | | |
| Taxes | $ 13,648,134 | $ 1,917,261 | $ - | $ - |
| Rights and Privileges | 61,144 | 469,216 | 37 | 165 |
| Institutional Revenue | 9,150 | - | - | - |
| Interest, Dividends, Rents, and Other Investment Income (Note 1) | 120,015 | 35,506 | 1,498 | 25,275 |
| Federal Grants and Contracts | - | 499,392 | 5,091,103 | - |
| Other (Note 21) | 389,710 | 149,257 | 70,487 | 147,610 |
| Total Revenues | 14,228,153 | 3,070,632 | 5,163,125 | 173,050 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | 1,478,837 | 1,696 | 110,971 | 1,234 |
| Education | 6,267,841 | 2,233 | 574,892 | 198,919 |
| Transportation | 44 | 3,084,927 | 14,296 | - |
| Resources and Economic Development | 236,268 | 13,570 | 185,851 | - |
| Individual and Family Services | 3,359,278 | - | 4,148,338 | - |
| Administration of Justice | 2,076,213 | 6,655 | 53,072 | - |
| Capital Outlay | 24,986 | 26,892 | 15,555 | - |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Interest and Charges | - | - | - | - |
| Total Expenditures | 13,443,467 | 3,135,973 | 5,102,975 | 200,153 |
| Revenues Over (Under) Expenditures | 784,686 | (65,341) | 60,150 | (27,103) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In (Note 26) | 636,321 | 390,404 | 5,295 | 9,315 |
| Transfers Out (Note 26) | (638,946) | (273,344) | (26,086) | - |
| Proceeds from Capital Leases | 970 | - | - | - |
| Bonds Issued | - | - | - | - |
| Premium on Bond Issuance | - | - | - | - |
| Refunding Bonds Issued | - | - | - | - |
| Payment to Refunded Bond Escrow Agents | - | - | - | - |
| Total Other Financing Sources (Uses) | (1,655) | 117,060 | (20,791) | 9,315 |
| Net Change in Fund Balances | 783,031 | 51,719 | 39,359 | (17,788) |
| Fund Balance, July 1, as restated (Note 2) | 445,994 | 1,310,025 | 22,923 | 337,000 |
| Fund Balance, June 30 | $ 1,229,025 | $ 1,361,744 | $ 62,282 | $ 319,212 |

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

| Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| $ 70,531 | $ 15,635,926 |
| 227,929 | 758,491 |
| 315,284 | 324,434 |
| 22,131 | 204,425 |
| 36,656 | 5,627,151 |
| 386,999 | 1,144,063 |
| 1,059,530 | 23,694,490 |
| | |
| | |
| 94,704 | 1,687,442 |
| 24,591 | 7,068,476 |
| 15,762 | 3,115,029 |
| 272,203 | 707,892 |
| 552,109 | 8,059,725 |
| 68,209 | 2,204,149 |
| 346,584 | 414,017 |
| | |
| 249,338 | 249,338 |
| 164,697 | 164,697 |
| 1,788,197 | 23,670,765 |
| (728,667) | 23,725 |
| | |
| | |
| 513,472 | 1,554,807 |
| (79,460) | (1,017,836) |
| - | 970 |
| 375,010 | 375,010 |
| 84,153 | 84,153 |
| 731,485 | 731,485 |
| (789,585) | (789,585) |
| 835,075 | 939,004 |
| | |
| 106,408 | 962,729 |
| 658,514 | 2,774,456 |
| $ 764,922 | $ 3,737,185 |

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

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | | |
|---|---|---|
| **Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)** | $ | 962,729 |
| When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year. | | 858,571 |
| Bond proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. | | |
| Bond proceeds | | (375,010) |
| Capital Lease proceeds | | (970) |
| Bond Premiums | | (84,153) |
| Refunding Bonds Issued | | (731,485) |
| Repayment of bond principal | | 249,338 |
| Payment to refunded bond escrow agent | | 789,585 |
| Certain expenditures are reported in the funds; however, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities. | | |
| Pension Liability | | (78,638) |
| Capital Lease | | (58) |
| Installment Purchases | | 677 |
| Compensated Absences | | (6,933) |
| Uninsured Employer's Fund | | 2,166 |
| Regional Jails | | 1,624 |
| Bonds | | (3,352) |
| Notes | | 292 |
| Interest | | 436 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | (41,280) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | 28,621 |
| Some expenses are eliminated from the Statement of Activities due to the availability of long-term financial resources. | | 1,423 |
| The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities. | | (9,219) |
| **Change in net assets of governmental activities (See Government-wide Statement of Activities)** | $ | 1,564,364 |

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

# Proprietary Funds

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

**Major Enterprise Funds**

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

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

**The Pocahontas Parkway** accounts for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government).

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

**Nonmajor Enterprise Funds** include those operations of State agencies which are listed on page 183 in the Combining and Individual Fund Statements and Schedules section of this report.

**Internal Service Funds** include those operations of State agencies which are listed on page 199 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Net Assets – Proprietary Funds

June 30, 2005
(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | State Lottery | Virginia College Savings Plan | Pocahontas Parkway | Unemployment Compensation |
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents (Notes 1 and 5) | $ 10,683 | $ 94,035 | $ 7,119 | $ 481,921 |
| Investments (Notes 1 and 5) | 389,175 | 1,648 | - | - |
| Receivables, Net (Notes 1 and 6) | 46,283 | 75,468 | 777 | 108,126 |
| Due from Other Funds (Note 8) | - | - | - | 459 |
| Inventory (Note 1) | 316 | - | - | - |
| Prepaid Items (Note 1) | 2,185 | - | 17 | - |
| Other Assets (Notes 1 and 9) | 3 | - | - | - |
| Total Current Assets | 448,645 | 171,151 | 7,913 | 590,506 |
| Noncurrent Assets: | | | | |
| Investments (Notes 1 and 5) | 316,897 | 975,901 | 35,305 | - |
| Receivables, Net (Notes 1 and 6) | - | 233,883 | - | - |
| Prepaid Items (Note 1) | - | - | - | - |
| Other Assets (Notes 1 and 9) | - | - | 5,120 | - |
| Nondepreciable Capital Assets (Notes 1 and 11) | - | - | 14,435 | - |
| Depreciable Capital Assets, Net (Notes 1 and 11) | 7,155 | 120 | 284,893 | - |
| Total Noncurrent Assets | 324,052 | 1,209,904 | 339,753 | - |
| Total Assets | 772,697 | 1,381,055 | 347,666 | 590,506 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable (Notes 1 and 18) | 5,852 | 1,054 | 108 | 99 |
| Amounts Due to Other Governments | - | - | - | 4,268 |
| Due to Other Funds (Note 8) | 200 | - | - | 285 |
| Interfund Payable (Note 8) | 15,000 | - | - | - |
| Unearned Revenue (Note 1) | 3,305 | - | - | - |
| Claims Payable (Notes 1 and 17) | - | - | - | - |
| Obligations Under Securities Lending Program (Notes 1 and 5) | 332,572 | 9,405 | - | - |
| Other Liabilities (Notes 1 and 19) | 35,537 | 4 | 3,421 | 20,291 |
| Long-term Liabilities Due Within One Year (Notes 1, 16, and 20) | 61,524 | 61,035 | 5,300 | - |
| Total Current Liabilities | 453,990 | 71,498 | 8,829 | 24,943 |
| Noncurrent Liabilities: | | | | |
| Interfund Payable (Note 8) | - | - | - | - |
| Claims Payable (Notes 1 and 17) | - | - | - | - |
| Other Liabilities (Notes 1 and 19) | - | - | 21,074 | - |
| Long-term Liabilities Due in More Than One Year (Notes 1, 16, and 20) | 321,195 | 1,369,798 | 458,057 | - |
| Total Noncurrent Liabilities | 321,195 | 1,369,798 | 479,131 | - |
| Total Liabilities | 775,185 | 1,441,296 | 487,960 | 24,943 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 3,482 | 120 | (162,712) | - |
| Restricted for Unemployment Compensation | - | - | - | 557,607 |
| Restricted for Retainage | - | - | 11 | - |
| Restricted for Debt Service | - | - | 42,413 | - |
| Restricted for Capital Acquisition | - | - | - | 187 |
| Unrestricted | (5,970) | (60,361) | (20,006) | 7,769 |
| Total Net Assets | $ (2,488) | $ (60,241) | $ (140,294) | $ 565,563 |

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

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

| | | Governmental Activities |
|---|---|---|
| Nonmajor | Total | Internal Service Funds |
| $ 106,855 | $ 700,613 | $ 219,407 |
| 3,772 | 394,595 | 7,174 |
| 26,356 | 257,010 | 20,155 |
| - | 459 | 39,648 |
| 39,737 | 40,053 | 16,011 |
| 939 | 3,141 | 4,003 |
| 218 | 221 | 1,039 |
| 177,877 | 1,396,092 | 307,437 |
| | | |
| 1 | 1,328,104 | - |
| - | 233,883 | - |
| 1 | 1 | - |
| - | 5,120 | - |
| 7,869 | 22,304 | 150 |
| 24,968 | 317,136 | 71,494 |
| 32,839 | 1,906,548 | 71,644 |
| 210,716 | 3,302,640 | 379,081 |
| | | |
| | | |
| 30,977 | 38,090 | 46,027 |
| - | 4,268 | 1,285 |
| 11,317 | 11,802 | 467 |
| 31,765 | 46,765 | 732 |
| 2,361 | 5,666 | 52,137 |
| 21,681 | 21,681 | 127,054 |
| 21,236 | 363,213 | 40,937 |
| 1,750 | 61,003 | 5,372 |
| 5,109 | 132,968 | 11,450 |
| 126,196 | 685,456 | 285,461 |
| | | |
| 7,200 | 7,200 | 7,487 |
| 4,998 | 4,998 | 193,920 |
| - | 21,074 | - |
| 17,321 | 2,166,371 | 16,693 |
| 29,519 | 2,199,643 | 218,100 |
| 155,715 | 2,885,099 | 503,561 |
| | | |
| | | |
| 26,800 | (132,310) | 62,319 |
| - | 557,607 | - |
| - | 11 | - |
| - | 42,413 | - |
| - | 187 | - |
| 28,201 | (50,367) | (186,799) |
| $ 55,001 | $ 417,541 | $ (124,480) |

| |
|---|
| $ 1,735 |
| $ 419,276 |

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

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | State Lottery | Virginia College Savings Plan | Pocahontas Parkway | Unemployment Compensation |
| **Operating Revenues:** | | | | |
| Charges for Sales and Services | $ 1,333,946 | $ 292,887 | $ 10,344 | $ 538,393 |
| Interest, Dividends, Rents, and Other Investment Income (Note 1) | - | 86,020 | 3,424 | - |
| Other (Note 21) | - | - | - | - |
| Total Operating Revenues | 1,333,946 | 378,907 | 13,768 | 538,393 |
| **Operating Expenses:** | | | | |
| Cost of Sales and Services | 84,974 | - | - | - |
| Prizes and Claims (Note 22) | 765,248 | - | - | 359,189 |
| Tuition Benefits Expense | - | 304,001 | - | - |
| Personal Services | 18,580 | 3,096 | - | - |
| Contractual Services | 29,193 | 3,165 | 2,338 | - |
| Supplies and Materials | 1,741 | 44 | - | - |
| Depreciation and Amortization (Note 23) | 5,489 | 64 | 10,858 | - |
| Rent, Insurance, and Other Related Charges | 1,836 | 224 | - | - |
| Interest Expense | - | - | 25,600 | - |
| Non-recurring Cost Estimate Payments to Providers | - | - | - | - |
| Distribution of On-Line Revenue | - | - | - | - |
| Other (Note 24) | - | 44 | - | - |
| Total Operating Expenses | 907,061 | 310,638 | 38,796 | 359,189 |
| Operating Income (Loss) | 426,885 | 68,269 | (25,028) | 179,204 |
| **Nonoperating Revenues (Expenses):** | | | | |
| Interest, Dividends, Rents, and Other Investment Income (Note 1) | 6,489 | 485 | - | 18,014 |
| Other (Note 25) | (721) | (381) | - | - |
| Total Nonoperating Revenues (Expenses) | 5,768 | 104 | - | 18,014 |
| Income (Loss) Before Transfers | 432,653 | 68,373 | (25,028) | 197,218 |
| Transfers In (Note 26) | - | - | - | - |
| Transfers Out (Note 26) | (432,832) | (121) | (204) | (3,500) |
| Change in Net Assets | (179) | 68,252 | (25,232) | 193,718 |
| Total Net Assets (Deficit), July 1, as restated (Note 2) | (2,309) | (128,493) | (115,062) | 371,845 |
| Total Net Assets (Deficit), June 30 (Note 28) | $ (2,488) | $ (60,241) | $ (140,294) | $ 565,563 |

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

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

| Nonmajor | Total | Governmental Activities<br>Internal Service Funds |
|---|---|---|
| $ 730,787 | $ 2,906,357 | $ 1,126,929 |
| - | 89,444 | - |
| 26,716 | 26,716 | - |
| 757,503 | 3,022,517 | 1,126,929 |
| | | |
| 275,182 | 360,156 | 58,166 |
| 147,326 | 1,271,763 | 755,745 |
| - | 304,001 | - |
| 83,474 | 105,150 | 89,170 |
| 39,673 | 74,369 | 148,953 |
| 18,129 | 19,914 | 8,945 |
| 4,172 | 20,583 | 16,895 |
| 17,463 | 19,523 | 20,352 |
| 190 | 25,790 | 229 |
| 37,574 | 37,574 | - |
| 28,688 | 28,688 | - |
| 1,776 | 1,820 | 36,820 |
| 653,647 | 2,269,331 | 1,135,275 |
| 103,856 | 753,186 | (8,346) |
| | | |
| | | |
| 2,095 | 27,083 | 3,931 |
| (475) | (1,577) | (1,283) |
| 1,620 | 25,506 | 2,648 |
| | | |
| 105,476 | 778,692 | (5,698) |
| 5,381 | 5,381 | 398 |
| (103,854) | (540,511) | (2,239) |
| 7,003 | 243,562 | (7,539) |
| 47,998 | 173,979 | (116,941) |
| $ 55,001 | $ 417,541 | $ (124,480) |

| |
|---|
| $ 1,680 |
| $ 245,242 |

## Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | State Lottery | Virginia College Savings Plan | Pocahontas Parkway | Unemployment Compensation |
| **Cash Flows from Operating Activities:** | | | | |
| Receipts for Sales and Services | $ 1,344,740 | $ 211,885 | $ 10,347 | $ 528,842 |
| Receipts from Investments | - | - | 2,074 | - |
| Internal Activity-Receipts from Other Funds | - | - | - | 3,370 |
| Internal Activity-Payments to Other Funds | - | (389) | - | - |
| Payments to Suppliers for Goods and Services | (81,696) | (128) | - | - |
| Payments for Prizes, Claims, and Loss Control (Note 30) | (848,144) | - | - | (363,376) |
| Payments for Tuition Benefits | - | (31,329) | - | - |
| Payments to Employees | (18,457) | (2,986) | - | - |
| Payments to Providers for Non-recurring Cost Estimates | - | - | - | - |
| Payments for Interest | - | - | (9,121) | - |
| Other Operating Revenue (Note 30) | - | - | - | - |
| Other Operating Expense (Note 30) | (29,241) | (2,910) | (1,023) | - |
| Net Cash Provided by (Used for) Operating Activities | 367,202 | 174,143 | 2,277 | 168,836 |
| **Cash Flows from Noncapital Financing Activities:** | | | | |
| Transfers In From Other Funds | - | - | - | - |
| Transfers Out to Other Funds | (433,162) | (121) | (204) | (3,500) |
| Other Noncapital Financing Receipt Activities (Note 30) | 16,290 | - | - | - |
| Other Noncapital Financing Disbursement Activities (Note 30) | - | - | - | - |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (416,872) | (121) | (204) | (3,500) |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Acquisition of Capital Assets | (738) | (21) | - | - |
| Payment of Principal and Interest on Bonds and Notes | (3,135) | - | - | - |
| Proceeds from Sale of Capital Assets | - | - | - | - |
| Net Cash Provided By (Used for) Capital and Related Financing Activities | (3,873) | (21) | - | - |
| **Cash Flows from Investing Activities:** | | | | |
| Purchase of Investments | (9,198) | (1,606,004) | - | - |
| Proceeds from Sales or Maturities of Investments | 59,547 | 1,373,423 | - | - |
| Investment Income on Cash, Cash Equivalents, and Investments | 4,641 | 46,054 | - | 18,014 |
| Net Cash Provided by (Used for) Investing Activities | 54,990 | (186,527) | - | 18,014 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,447 | (12,526) | 2,073 | 183,350 |
| **Cash and Cash Equivalents, July 1, as restated (Note 2)** | 7,697 | 98,804 | 5,046 | 298,571 |
| **Cash and Cash Equivalents, June 30** | $ 9,144 | $ 86,278 | $ 7,119 | $ 481,921 |
| **Reconciliation of Cash and Cash Equivalents:** | | | | |
| Per the Statement of Net Assets: | | | | |
| Cash and Cash Equivalents | $ 10,683 | $ 94,035 | $ 7,119 | $ 481,921 |
| Cash and Travel Advances | 3 | - | - | - |
| Less: | | | | |
| Securities Lending Cash Equivalents | (1,542) | (7,757) | - | - |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 9,144 | $ 86,278 | $ 7,119 | $ 481,921 |

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

| Nonmajor | Total | Governmental Activities<br>Internal Service Funds |
|---|---|---|
| $ 747,541 | $ 2,843,355 | $ 765,274 |
| - | 2,074 | - |
| 4,056 | 7,426 | 352,985 |
| (29,524) | (29,913) | (7,801) |
| (313,503) | (395,327) | (111,315) |
| (142,825) | (1,354,345) | (728,991) |
| - | (31,329) | - |
| (82,533) | (103,976) | (83,356) |
| (31,164) | (31,164) | - |
| - | (9,121) | - |
| 5,528 | 5,528 | 1 |
| (38,761) | (71,935) | (152,305) |
| 118,815 | 831,273 | 34,492 |
| | | |
| 5,381 | 5,381 | 785 |
| (226,299) | (663,286) | (2,239) |
| 130,158 | 146,448 | 48 |
| (92) | (92) | (633) |
| (90,852) | (511,549) | (2,039) |
| (6,184) | (6,943) | (17,067) |
| (1,751) | (4,886) | (7,326) |
| 7 | 7 | 527 |
| (7,928) | (11,822) | (23,866) |
| (1) | (1,615,203) | - |
| - | 1,432,970 | - |
| 1,853 | 70,562 | 3,592 |
| 1,852 | (111,671) | 3,592 |
| 21,887 | 196,231 | 12,179 |
| 67,674 | 477,792 | 174,504 |
| $ 89,561 | $ 674,023 | $ 186,683 |
| | | |
| | | |
| $ 106,855 | $ 700,613 | $ 219,407 |
| 218 | 221 | 1,039 |
| | | |
| (17,512) | (26,811) | (33,763) |
| $ 89,561 | $ 674,023 | $ 186,683 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | State Lottery | Virginia College Savings Plan | Pocahontas Parkway | Unemployment Compensation |
| **Reconciliation of Operating Income** | | | | |
| **To Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Operating Income (Loss) | $ 426,885 | $ 68,269 | $ (25,028) | $ 179,204 |
| **Adjustments to Reconcile Operating** | | | | |
| **Income to Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Depreciation and Amortization | 5,489 | 64 | 10,858 | - |
| Accretion of Principle | - | - | 15,394 | - |
| Interest, Dividends, Rents, and Other Investment Income | (27,195) | (85,663) | - | - |
| Miscellaneous Nonoperating Income | - | - | (1,345) | - |
| Other Expenses | - | - | 77 | - |
| Change in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | 11,661 | (81,266) | (6) | (6,243) |
| (Increase) Decrease in Due From Other Funds | - | - | - | 54 |
| (Increase) Decrease in Other Assets | - | - | - | - |
| (Increase) Decrease in Inventory | 3,280 | - | - | - |
| (Increase) Decrease in Prepaid Items | (448) | - | 2 | - |
| Increase (Decrease) in Accounts Payable | (5,368) | 128 | (957) | 99 |
| Increase (Decrease) in Amounts Due to Other Governments | - | - | - | (1,834) |
| Increase (Decrease) in Claims Payable | - | - | - | - |
| Increase (Decrease) in Due to Other Funds | (10) | - | - | 63 |
| Increase (Decrease) in Unearned Revenue | (868) | - | - | - |
| Increase (Decrease) in Other Liabilities | (23,237) | (129) | - | (2,507) |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | 174 | 16,034 | - | - |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | (23,161) | 256,706 | 3,282 | - |
| Net Cash Provided by (Used for) Operating Activities | $ 367,202 | $ 174,143 | $ 2,277 | $ 168,836 |
| | | | | |
| **Noncash Investing, Capital, and Financing Activities:** | | | | |
| The following transactions occurred prior to the statement of net assets date: | | | | |
| Capital Assets Transferred from State Agencies | $ - | $ - | $ - | $ - |
| Trade-ins of Used Equipment on New Equipment | - | - | - | - |
| Installment Purchases Used to Finance Capital Assets | - | - | - | - |
| Change in Fair Value of Investments | - | 39,713 | - | - |
| Capital Asset Addition Included in Accounts Payable | - | - | - | - |
| Total Noncash, Investing, Capital, and Financing Activities | $ - | $ 39,713 | $ - | $ - |

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

| Nonmajor | Total | Governmental Activities<br>Internal Service Funds |
|---|---|---|
| | | |
| | | |
| $ 103,856 | $ 753,186 | $ (8,346) |
| | | |
| | | |
| | | |
| 4,172 | 20,583 | 16,895 |
| - | 15,394 | - |
| (22) | (112,880) | - |
| (816) | (2,161) | 316 |
| - | 77 | - |
| | | |
| (1,130) | (76,984) | (3,071) |
| 5,019 | 5,073 | (10,215) |
| 1 | 1 | - |
| (1,171) | 2,109 | (1,354) |
| (12) | (458) | (347) |
| 6,383 | 285 | 17,527 |
| (16) | (1,850) | (910) |
| 1,010 | 1,010 | 15,763 |
| (80) | (27) | 294 |
| 232 | (636) | 3,487 |
| 432 | (25,441) | (791) |
| 71 | 16,279 | 2,372 |
| 886 | 237,713 | 2,872 |
| $ 118,815 | $ 831,273 | $ 34,492 |
| | | |
| | | |
| | | |
| $ - | $ - | $ 10,528 |
| - | - | (31) |
| 2,003 | 2,003 | 1,536 |
| - | 39,713 | - |
| - | - | 832 |
| $ 2,003 | $ 41,716 | $ 12,865 |

# Fiduciary Funds

**Private Purpose Funds**

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

**Pension Trust Funds**

*Pension Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.*

**Investment Trust Funds**

*Investment Trust Funds reflect the external portions of the investment pools sponsored by the Commonwealth.*

**Agency Funds**

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

A listing of all Fiduciary Funds is located on pages 214-215 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 216.

## Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2005
(Dollars in Thousands)

| | Private Purpose Trust Funds | Pension Trust Funds | Investment Trust Funds | Agency Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents (Notes 1 and 5) | $ 23,973 | $ 184,158 | $ 3,074,711 | $ 220,711 |
| Investments (Notes 1 and 5): | | | | |
| Bonds and Mortgage Securities | 6 | 9,583,567 | - | - |
| Stocks | 154,538 | 15,982,487 | - | - |
| Fixed Income Commingled Funds | - | 1,590,868 | - | - |
| Index and Pooled Funds | 143,018 | 11,037,236 | - | - |
| Real Estate | - | 1,228,253 | - | - |
| Venture Capital | - | 2,225,579 | - | - |
| Mutual and Money Market Funds | 11,363,731 | - | - | - |
| Short-term Investments | 14 | 1,412,909 | 1,295,412 | 408,084 |
| Other | 70,281 | 5,858,819 | - | 9,958 |
| Total Investments | 11,731,588 | 48,919,718 | 1,295,412 | 418,042 |
| Receivables (Notes 1 and 6): | | | | |
| Accounts | - | - | - | 57,977 |
| Contributions | 3 | 128,990 | - | - |
| Interest and Dividends | 498 | 149,536 | 7,984 | - |
| Receivable for Security Transactions | - | 2,320,188 | - | - |
| Other Receivables | 148 | 8,563 | - | - |
| Total Receivables | 649 | 2,607,277 | 7,984 | 57,977 |
| Due from Other Funds (Note 8) | - | 15,465 | - | - |
| Other Assets (Notes 1 and 9) | - | - | 9,140 | 1,610 |
| Furniture and Equipment (Note 1) | - | 5,958 | - | - |
| Total Assets | 11,756,210 | 51,732,576 | 4,387,247 | 698,340 |
| **Liabilities** | | | | |
| Accounts Payable and Accrued Expenses (Notes 1 and 18) | 321 | 24,747 | - | 6,045 |
| Amounts Due to Other Governments | - | - | - | 218,151 |
| Due to Other Funds (Note 8) | - | 15,465 | - | - |
| Obligations Under Securities Lending Program (Notes 1 and 5) | 2,687 | 4,185,747 | - | 3,778 |
| Other Liabilities (Notes 1 and 19) | - | 1,354 | 147,468 | 470,108 |
| Retirement Benefits Payable | - | 163,760 | - | - |
| Refunds Payable | - | 6,664 | - | - |
| Compensated Absences Payable (Notes 1 and 16) | 162 | 1,243 | - | - |
| Insurance Premiums and Claims Payable | - | 30,878 | - | 258 |
| Payable for Security Transactions | - | 3,175,280 | - | - |
| Pension Liability | 181 | 1,655 | - | - |
| Total Liabilities | 3,351 | 7,606,793 | 147,468 | 698,340 |
| Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes | $ 11,752,859 | $ 44,125,783 | $ 4,239,779 | $ - |

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

## Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Private Purpose Trust Funds | Pension Trust Funds | Investment Trust Funds |
|---|---|---|---|
| **Additions:** | | | |
| Investment Income: | | | |
| Interest, Dividends, and Other Investment Income | $ 770,225 | $ 4,964,527 | $ 75,936 |
| Distributions to Shareholders from Net Investment Income | - | - | (39,421) |
| Total Investment Income | 770,225 | 4,964,527 | 36,515 |
| Less Investment Expenses | 13,294 | 245,715 | - |
| Net Investment Income | 756,931 | 4,718,812 | 36,515 |
| Proceeds from Unclaimed Property | 71,189 | - | - |
| Contributions: | | | |
| Participants | 3,847,537 | - | - |
| Member | - | 686,825 | - |
| Employer | - | 918,749 | - |
| Total Contributions | 3,847,537 | 1,605,574 | - |
| Shares Sold | - | - | 5,351,014 |
| Reinvested Distributions | - | - | 39,421 |
| Other Revenue (Note 21) | 22 | 743 | - |
| Total Additions | 4,675,679 | 6,325,129 | 5,426,950 |
| **Deductions:** | | | |
| Loan Servicing Payments | 739 | - | - |
| Tuition Benefits | 213,632 | - | - |
| Retirement Benefits | - | 1,945,718 | - |
| Refunds to Former Members | - | 84,739 | - |
| Retiree Health Insurance Credits | - | 68,966 | - |
| Insurance Premiums and Claims | 15,351 | 97,041 | - |
| Administrative Expenses | 15,664 | 20,405 | - |
| Other Expenses (Note 24) | 10 | 444 | - |
| Shares Redeemed | 359,661 | - | 4,986,524 |
| Long-term Disability Benefits | - | 25,840 | - |
| Total Deductions | 605,057 | 2,243,153 | 4,986,524 |
| **Transfers:** | | | |
| Transfers In | - | 230 | - |
| Transfers Out | - | (230) | - |
| Total Transfers | - | - | - |
| Net Increase | 4,070,622 | 4,081,976 | 440,426 |
| Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes | | | |
| **July 1, as restated (Note 2)** | 7,682,237 | 40,043,807 | 3,799,353 |
| **June 30** | $ 11,752,859 | $ 44,125,783 | $ 4,239,779 |

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

# Component Units

*Component Units are organizations that are legally separate from the Primary Government. Each discrete Component Unit serves or benefits those outside of the primary government.*

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

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

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

University of Virginia, including the University of Virginia College at Wise (formerly reported as Clinch Valley College), and the University of Virginia Hospital
Virginia Polytechnic Institute and State University
Virginia Commonwealth University, including the Virginia Commonwealth University Health Systems Authority (formerly reported as Medical College of Virginia Hospitals Authority)

**Nonmajor Component Units** include those listed on page 237 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Net Assets – Component Units

June 30, 2005
(Dollars in Thousands)

| | Virginia Housing Development Authority | Virginia Public School Authority | University of Virginia | Virginia Polytechnic Institute and State University |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents (Notes 1 and 5) | $ 72,476 | $ 5,828 | $ 337,748 | $ 78,590 |
| Investments (Notes 1 and 5) | 612,347 | 2,433,982 | 3,490,888 | 114,207 |
| Receivables, Net (Notes 1 and 6) | 123,526 | 53,281 | 204,361 | 72,897 |
| Contributions Receivable, Net (Note 7) | - | - | 85,071 | 38,488 |
| Due from Primary Government (Note 8) | - | - | 2,193 | 165 |
| Due from Component Units (Note 8) | - | - | - | 7,959 |
| Inventory (Note 1) | 359 | - | 18,889 | 15,962 |
| Prepaid Items (Note 1) | - | - | 11,746 | 12,732 |
| Other Assets (Notes 1 and 9) | 5,236 | - | 25,211 | 2,859 |
| Loans Receivable from Primary Government (Notes 1 and 8) | - | 168,315 | - | - |
| Restricted Cash and Cash Equivalents (Note 10) | 467,402 | 81,477 | 55,859 | 104,022 |
| Restricted Investments (Note 10) | 459,305 | - | 350,875 | 443,765 |
| Other Restricted Assets (Note 10) | 5,207,556 | - | - | 10,065 |
| Nondepreciable Capital Assets (Notes 1 and 11) | 1,945 | - | 355,011 | 141,467 |
| Depreciable Capital Assets, Net (Notes 1 and 11) | 10,248 | - | 1,317,797 | 659,052 |
| Total Assets | 6,960,400 | 2,742,883 | 6,255,649 | 1,702,230 |
| | | | | |
| **Liabilities** | | | | |
| Accounts Payable (Notes 1 and 18) | 46,570 | 70 | 200,616 | 95,699 |
| Amounts Due to Other Governments | - | 62,006 | - | - |
| Due to Component Units (Note 8) | - | - | - | - |
| Unearned Revenue (Note 1) | - | - | 59,951 | 29,782 |
| Obligations Under Securities Lending Program (Notes 1 and 5) | - | - | 47,723 | 3,244 |
| Other Liabilities (Notes 1 and 19) | 67,608 | 47,918 | 304,912 | 38,052 |
| Loans Payable to Primary Government (Notes 1 and 8) | - | - | - | - |
| Long-term Liabilities (Notes 1, 16, and 20): | | | | |
| Due Within One Year | 549,522 | 215,002 | 81,280 | 48,277 |
| Due in More Than One Year | 4,627,545 | 2,402,759 | 696,344 | 369,230 |
| Total Liabilities | 5,291,245 | 2,727,755 | 1,390,826 | 584,284 |
| | | | | |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | (10,932) | - | 1,105,040 | 494,004 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | - | - | 643,325 | 234,035 |
| Other | - | - | - | - |
| Expendable: | | | | |
| Higher Education | - | - | 1,881,679 | 335,722 |
| Virginia Pooled Investment Program | - | - | - | - |
| Capital Projects/Construction/Capital Acquisition | - | - | - | - |
| Debt Service | - | 9,369 | - | - |
| Bond Indenture | 1,437,188 | - | - | - |
| Other | - | - | - | - |
| Unrestricted | 242,899 | 5,759 | 1,234,779 | 54,185 |
| Total Net Assets | $ 1,669,155 | $ 15,128 | $ 4,864,823 | $ 1,117,946 |

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

| Virginia Commonwealth University | Nonmajor Component Units | Total |
|---|---|---|
| $ 346,580 | $ 934,212 | $ 1,775,434 |
| 248,175 | 628,131 | 7,527,730 |
| 146,947 | 2,021,782 | 2,622,794 |
| 30,669 | 115,290 | 269,518 |
| 124 | 12,682 | 15,164 |
| 6,020 | 10,672 | 24,651 |
| 10,589 | 19,863 | 65,662 |
| 5,976 | 32,153 | 62,607 |
| 10,605 | 28,654 | 72,565 |
| - | - | 168,315 |
| 23,086 | 336,230 | 1,068,076 |
| 291,957 | 1,610,840 | 3,156,742 |
| 18,129 | 124,669 | 5,360,419 |
| 120,330 | 1,128,905 | 1,747,658 |
| 697,976 | 2,735,388 | 5,420,461 |
| 1,957,163 | 9,739,471 | 29,357,796 |
| | | |
| 118,885 | 258,591 | 720,431 |
| - | 6,209 | 68,215 |
| - | 24,651 | 24,651 |
| 22,103 | 107,488 | 219,324 |
| 3,433 | 98,500 | 152,900 |
| 149,502 | 137,602 | 745,594 |
| 2,589 | 11,006 | 13,595 |
| 32,537 | 231,726 | 1,158,344 |
| 410,861 | 3,531,189 | 12,037,928 |
| 739,910 | 4,406,962 | 15,140,982 |
| | | |
| 490,103 | 2,517,638 | 4,595,853 |
| | | |
| 182,184 | 631,253 | 1,690,797 |
| - | 84,329 | 84,329 |
| | | |
| 160,995 | 689,144 | 3,067,540 |
| - | 5,149 | 5,149 |
| - | 966,330 | 966,330 |
| - | 98,634 | 108,003 |
| - | - | 1,437,188 |
| - | 480,723 | 480,723 |
| 383,971 | (140,691) | 1,780,902 |
| $ 1,217,253 | $ 5,332,509 | $ 14,216,814 |

## Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Virginia Housing Development Authority | $ 403,430 | $ 379,572 | $ 122,857 | $ - |
| Virginia Public School Authority | 140,477 | 124,118 | - | - |
| Higher Education: | | | | |
| University of Virginia | 2,109,314 | 1,358,342 | 524,724 | 35,307 |
| Virginia Polytechnic Institute & State University | 822,279 | 361,316 | 176,474 | 24,267 |
| Virginia Commonwealth University | 1,565,867 | 1,268,074 | 221,231 | 6,580 |
| Total Higher Education | 4,497,460 | 2,987,732 | 922,429 | 66,154 |
| Nonmajor Component Units: | | | | |
| Higher Education | 2,719,927 | 1,124,787 | 476,160 | 101,270 |
| Other | 567,646 | 421,492 | 9,847 | 34,422 |
| Total Nonmajor Component Units | 3,287,573 | 1,546,279 | 486,007 | 135,692 |
| Total Component Units | $ 8,328,940 | $ 5,037,701 | $ 1,531,293 | $ 201,846 |

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

| | General Revenues | | | | | | |
|---|---|---|---|---|---|---|---|
| Net (Expenses) Revenue | Operating Appropriations from Primary Government | Unrestricted Grants and Contributions | Investment Earnings | Miscellaneous | Contributions to Permanent / Term Endowments | VCBA Payments to Schools | Tobacco Master Settlement and Securitization Proceeds |
| $ 98,999 | $ - | $ - | $ 27,117 | $ 163 | $ - | $ - | $ - |
| (16,359) | - | - | 2,746 | 3,968 | - | - | - |
| | | | | | | | |
| (190,941) | 132,637 | 5,679 | 401,479 | 65,299 | 11,452 | 2,583 | - |
| (260,222) | 215,548 | 387 | 41,849 | 28,925 | 71,110 | 19,668 | - |
| (69,982) | 162,705 | 2,949 | 33,110 | 2,229 | 3,543 | 8,937 | - |
| (521,145) | 510,890 | 9,015 | 476,438 | 96,453 | 86,105 | 31,188 | - |
| | | | | | | | |
| | | | | | | | |
| (1,017,710) | 939,568 | 27,938 | 104,738 | 24,363 | 43,406 | 91,914 | - |
| (101,885) | 76,773 | 5,535 | 22,706 | 896 | 21,716 | - | 467,966 |
| (1,119,595) | 1,016,341 | 33,473 | 127,444 | 25,259 | 65,122 | 91,914 | 467,966 |
| $ (1,558,100) | $ 1,527,231 | $ 42,488 | $ 633,745 | $ 125,843 | $ 151,227 | $ 123,102 | $ 467,966 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Changes in Net Assets | Net Assets July 1 as restated (Note 2) | Net Assets June 30 |
|---|---|---|---|
| Virginia Housing Development Authority | $ 126,279 | $ 1,542,876 | $ 1,669,155 |
| Virginia Public School Authority | (9,645) | 24,773 | 15,128 |
| Higher Education: | | | |
| University of Virginia | 428,188 | 4,436,635 | 4,864,823 |
| Virginia Polytechnic Institute & State University | 117,265 | 1,000,681 | 1,117,946 |
| Virginia Commonwealth University | 143,491 | 1,073,762 | 1,217,253 |
| Total Higher Education | 688,944 | 6,511,078 | 7,200,022 |
| Nonmajor Component Units: | | | |
| Higher Education | 214,217 | 2,676,352 | 2,890,569 |
| Other | 493,707 | 1,948,233 | 2,441,940 |
| Total Nonmajor Component Units | 707,924 | 4,624,585 | 5,332,509 |
| Total Component Units | $ 1,513,502 | $ 12,703,312 | $ 14,216,814 |

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

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

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

### B. Reporting Entity

For financial reporting purposes, the Commonwealth of Virginia's (the "Commonwealth's") reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government (discrete component units). The funds of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASBS No. 39 was implemented in fiscal year 2004 and requires the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government.

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

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

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

**Pocahontas Parkway Association** (Major Enterprise Fund) – The Association, a private, non-stock, nonprofit corporation was created to develop, construct, and provide financing for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government) because it is fiscally dependent on the primary government and provides services entirely to the benefit of the Commonwealth. Ernst & Young, LLP audited the Association, and a separate report is available from the Association, Post Office Box 35033, Richmond, Virginia 23235.

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

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

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* was effective for fiscal year 2004. This Statement generally requires any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting entity as nonprofit charitable organizations and exist solely to support the Commonwealth's higher

education institutions, museums, and the Library of Virginia. The higher education institution nonprofit organizations are included in the applicable higher education institution's column in the accompanying financial statements. The museum foundations, and the Library of Virginia Foundation, which are discretely presented, are more fully described later in this footnote. The Virginia Horse Center Foundation, a component unit of the Virginia Equine Center (Center) (Nonmajor Component Unit), is included in the Center's column in the accompanying financial statements. In all instances where separate disclosure of these nonprofit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "Foundations." Discretely presented component units are:

**Higher Education Institutions** – The Commonwealth's higher education institutions are granted broad corporate powers by State statutes. The Governor appoints the members of each institution's Board of Trustees. In addition to the annual appropriations to support the institutions' operations, the State provides funding for, and construction of, major academic plant facilities for the institutions. Therefore, there is a financial benefit/burden to the primary government. The bonds issued to finance the construction of these facilities are obligations of the State. The major higher education institutions are: University of Virginia, including the University of Virginia Hospital and the University of Virginia's College at Wise (formerly reported as Clinch Valley College); Virginia Polytechnic Institute and State University; and Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority (formerly reported as MCV Health Systems Authority). The nonmajor Higher Education Institutions are: the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; University of Mary Washington; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center, the Roanoke Higher Education Authority, and the Institute for Advanced Learning and Research are also included as nonmajor higher education institutions. The colleges and universities are funded through State appropriations, tuition, Federal grants, and private donations and grants. As noted previously, certain Foundations are considered component units of the higher education institutions, and are included in the accompanying financial statements as well as the higher education institutions' individually published financial statements. The Auditor of Public Accounts (APA) does not audit component units of the higher education institutions, including Foundations, but relies on the reports issued by other auditors to render their opinion.

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

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

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

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

**Virginia Outdoors Foundation** (Nonmajor) – The Foundation was created as a body politic and is administratively assigned to the Department of Conservation and Recreation (Primary Government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the seven-member Board of Trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 101 North 14th Street, 17th Floor, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

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

**Virginia Resources Authority (VRA)** (Nonmajor) – The Authority was created as a statewide public body corporate political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and recycling. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 707 East Main Street, Suite 1350, Richmond, Virginia 23219. Goodman and Company, LLP audited the Authority, and a separate report is available.

**Virginia Tourism Authority** (Nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film production industries of the Commonwealth. The Governor appoints all of the board members, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Nineteenth Floor, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

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

**Hampton Roads Sanitation District Commission** (Nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing Board of the District, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the District and operates a sewage system for 17 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1436 Air Rail Ave, Post Office Box 5915, Virginia Beach, Virginia 23471. KPMG, LLP, audited the Commission, and a separate report is available.

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

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

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

**Science Museum of Virginia Foundation** (Nonmajor) – The Foundation is a non-stock, non-profit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the Trustees of the Science Museum of Virginia (Primary Government). The administrative offices of the Foundation are located at the Science Museum of Virginia, 2500 W. Broad Street, Richmond, Virginia 23220. The audit was conducted by Rose Sanderson & Creasy; however this firm was acquired by Yount, Hyde & Barbour, PC, who will issue the report.

**Virginia Museum of Fine Arts Foundation** (Nonmajor) **–** The Foundation operates as a non-profit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (Primary Government) has the space and resources for art to help improve the quality of life for many. The administrative offices of the Foundation are located at 2800 Grove Avenue, Richmond, Virginia 23221. KPMG, LLP, audits the Foundation and a separate report is issued.

**A. L. Philpott Manufacturing Extension Partnership** (Nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The Partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The Partnership has a 23-member Board of Trustees. The Board consists of the presidents of two public four-year institutions of higher education; three community college presidents; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and fifteen citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at Patrick Henry Community College, 645 Patriot Avenue, Post Office Box 5311, Martinsville, Virginia 24115. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

**Virginia Equine Center Foundation** (Nonmajor) – The Foundation was created as a body politic and corporate, and operates the Virginia Equine Center (Center) for the benefit of the equine and tourism industries. In 1994, the Commonwealth began making grant payments to the Foundation to keep the Center from falling into default on its debt. The Governor appoints a majority of the 11-member board, and there is a financial benefit/burden to the primary government. As previously noted, the Center includes the Virginia Horse Center Foundation as part of its report, pursuant to GASBS No. 39. The address for the administrative offices of the Foundation is Post Office Box 1051, Lexington,

Virginia 24450. The accounting firm of William White, Sr., CPA audited the Foundation, and a separate report is available.

**Certified Nursing Facility Education Initiative** (Nonmajor) – The Initiative was created as a nonprofit corporation by the *Code of Virginia* to assist the Department of Medical Assistance Services (DMAS) (Primary Government). The Initiative provides early on-site training and assistance to certified nursing facilities to improve quality of care and life to certified nursing facility residents. The address for the administrative offices of the Initiative is Post Office Box 465, Orange, Virginia 22960. Cole & King, LLC, CPA's audited the Initiative, and a separate report is available. A note to the audited financial statements disclosed that the Initiative has relied on funding from DMAS to meet operating expenses and expressed concern that the Initiative might not be able to continue operations past June 30, 2005, should that funding not be renewed or replaced by another source.

**Virginia Land Conservation Foundation (VLCF)** (Nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (Primary Government) by acquiring interests in preservation land and providing grants to other entities to acquire interests in preservation land. The Governor appoints the 18-member board, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 203 Governor Street, Suite 402, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

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

**Library of Virginia Foundation** (Nonmajor) – The Foundation was created as a private, nonprofit 501 (c) (3) corporation supporting the Library of Virginia. The Foundation was established in 1984 upon receipt of a major bequest. The articles of incorporation stipulate that the Foundation shall at all times be operated solely in connection with, and exclusively for the benefit of the Virginia State Library. The Foundation is governed by a separate Board of Directors and promotes and supports the Library of Virginia in all activities. The audit was conducted by Rose Sanderson & Creasy; however this firm was acquired by Yount, Hyde & Barbour, PC, who will issue the report.

**Innovative Technology Authority (ITA)** (Nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the State's institutions of higher education and private industry in the Commonwealth. The Governor appoints the 16-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a nonstock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2114 Rock Hill Road, Herndon, Virginia 22070. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by State-supported colleges and universities is included in the financial statements. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the Primary Government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling $390.6 million, is not included in the financial statements.

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

**Tobacco Settlement Financing Corporation** – The Corporation was created by the Tobacco Settlement Financing Corporation Act, Chapters 482 and 488 of the Acts of the General Assembly of the Commonwealth of Virginia (Commonwealth) during the 2002 General Assembly Session. The Corporation is a public body corporate entity and an independent instrumentality of the Commonwealth, managed by a six-member board, including the State Treasurer. The Corporation purchased fifty percent of the future tobacco settlement revenue belonging to the Tobacco Indemnification and Community Revitalization Commission, a discrete component unit of the Commonwealth. The Commonwealth's tobacco revenue was not securitized. The administrative offices of the Corporation are located at 101 N. 14th Street, 3rd Floor P.O. Box 1879 Richmond, Virginia 23218-1879. Goodman and Company, LLP audited the Corporation, and a separate report is available.

**Virginia Recreational Facilities Authority** – The Authority was created as a political subdivision and instrumentality of the Commonwealth and given separate corporate powers by the *Code of Virginia*. The Governor appoints the 13-member board of directors. The Authority operates educational programs, tourism, and commerce in the Roanoke Valley. The address for the administrative offices of the Authority is 3900 Rutrough Road, Roanoke, Virginia 24014. Foti, Flynn, Lowen and Company audited the Authority, and a separate report is available.

**Miller School of Albemarle** – The School was created through the will of Samuel Miller of Lynchburg to provide a quality education for poor and orphaned children in central Virginia. Initially, the Commonwealth was charged with oversight of the Miller Trust Fund, which supported the School. The Governor still appoints one-third of the board. The administrative offices of the School are located at 1000 Samuel Miller Loop, Charlottesville, Virginia 22903. Joseph J. Saunders, III, CPA, Inc. audited the School, and a separate report is available.

**Jamestown-Yorktown Educational Trust** – The Trust was created as a nonprofit corporation by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The Trust Board consists of six members selected from the Foundation's Board of Trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's Board, and the Governor appoints twelve members. The Trust operates the Jamestown Settlement and Yorktown Victory Centers' gift shops and café, oversees investments, and sponsors events. The address for the administrative offices of the Trust is Post Office Box 3605, Williamsburg, Virginia 23187. Goodman and Company, LLP, audited the Trust, and a separate report is available.

**Virginia Birth-Related Neurological Injury Compensation Program** – The Program was created to provide a no-fault alternative for birth-related neurological injuries. The Governor appoints the 7-member board. The administrative offices of the Program are located at 9100 Arboretum Parkway Suite 365, Richmond, Virginia 23236. Cherry, Bekaert, & Holland audited the Program, and a separate report is available.

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

**Assistive Technology Loan Fund Authority** – The Authority was created as a political subdivision and public body corporate by the *Code of Virginia*. The Governor appoints the board of directors as directed by the *Code*. The Authority manages a fund to provide loans to individuals to acquire assistive technology, other equipment, or other authorized purposes designed to help disabled individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 106, Richmond, Virginia 23229. The Authority is audited by Goodman and Company, LLP.

## C. Government-wide and Fund Financial Statements

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

legally separate component units for which the Commonwealth is financially accountable.

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

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

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

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

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

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

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

The Primary Government reports the following major governmental funds:

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

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

**Federal Trust Special Revenue Fund** – Accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund the Unemployment Compensation Fund, and institutions of higher education. In addition, federal funds received from Medicaid intergovernmental transfers and for the Primary Government's share of claims are reported in the Other – Special Revenue Fund.

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

**Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements** – The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the full accrual basis of accounting. As with the government-wide statements, revenues are

recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus since they only report assets and liabilities.

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

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

Foundations' (Component Units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. FASB rather than GASB pronouncements are followed. In some instances, activities of the Foundations (Component Units) are reported separately within the footnotes because of the different reporting standards. Also, some Foundations (Component Units) have a calendar rather than a fiscal year end. Foundations (Component Units) with a calendar year-end are included in these financial statements for the year ending December 31, 2004.

The Primary Government reports the following major enterprise funds:

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

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

**Pocahontas Parkway Fund** – Accounts for the Route 895 Connector Project. The Pocahontas Parkway Association is a blended component unit of the Department of Transportation (Primary Government).

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

Additionally, the Primary Government reports the following fund types:

**Governmental Fund Types:**

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

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

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

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

**Proprietary Fund Types:**

**Enterprise Funds** – Account for transactions related to resources received and used for financing self-supporting activities of the Primary Government that offer products and

services on a user-charge basis to external users.

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

**Fiduciary Fund Types:**

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

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

**Investment Trust Funds** – Account for the external portions of the State Non-Arbitrage Program and Local Government Investment Pools that are sponsored by the Commonwealth.

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

## E. Budgetary Process

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

The budget is prepared on a biennial basis; however, the budgets of the General and Special Revenue Funds contain separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

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

## F. Cash, Cash Equivalents, and Investments

### Cash

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

As of June 30, 2005, the General Fund had a negative cash balance of $3.6 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the Primary Government's cash equivalents and investments (see Note 5).

### Cash Equivalents

Cash equivalents are investments with an original maturity of three months or less.

### Investments

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

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

*Certain Investments and for External Investment Pools*.

Investments administered by the Virginia Retirement System (VRS) are reported at fair value. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Investments in affiliated organizations are accounted for on the equity method of accounting and the VRS' share of their earnings (losses) for the period is included in investment income using the equity method.

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

**Derivatives**

Derivative instruments are used to improve return on investments and modify risk exposures (see Note 5).

**G. Receivables**

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as Federal receivables of the Primary Government's Medicaid program. Receivables in the Proprietary Funds consist primarily of tuition contributions receivable. Receivables of Fiduciary Funds are primarily the accrual of member and employer contributions in the Pension Trust Funds and the accrual of local sales taxes in the Agency Funds. Receivables of the Component Units consist primarily of mortgage receivables, loans receivable, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 6).

**H. Contributions Receivable, Net**

Contributions Receivable reported by the foundations (Component Units) represents pledges or unconditional promises to give that have been discounted (see Note 7).

**I. Internal Balances**

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities (see Note 8).

**J. Inventory**

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

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

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

Inventories maintained by Correctional Enterprises (Internal Service Fund) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Museum of Fine Arts (Nonmajor Enterprise Fund), the Science Museum of Virginia (Nonmajor Enterprise Fund), the Consolidated Laboratory (Nonmajor Enterprise Fund) and the Library of Virginia (Nonmajor Enterprise Fund) are stated at cost using FIFO. Inventories maintained by the Internal Service Funds except for Correctional Enterprises are stated at cost using FIFO.

The Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) maintains inventories using the average cost methodology. The Virginia Industries for the Blind (Nonmajor Enterprise Fund) maintains inventories at cost using the average cost methodology. The State Lottery Department's (Major Enterprise Fund) inventory consists of unsold instant tickets that are valued at cost and expensed over the life of each game as it is sold to retailers.

Institutions of higher education (Component Units) use several methods for inventory valuations, including cost using FIFO, the lower of cost or market using FIFO, or weighted average methods. Inventories maintained by the Virginia Equine Center Foundation (Nonmajor Component Unit) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Port Authority (Nonmajor Component Unit) are reported using the moving average cost methodology. The Virginia Outdoors Foundation (Nonmajor Component Unit) maintains inventories using the average cost method and the Virginia Housing Development Authority (Major Component Unit) maintains inventories at the lower of cost or fair value.

**K. Prepaid Items**

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

**L. Interfund Loans Receivable/Payable**

Loans Receivable/Payable represents working capital advances from one fund to another (see Note 8).

**M. Other Assets**

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere (see Note 9).

**N. Capital Assets**

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Assets. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 11).

Capital assets are stated at historical cost or, in some instances, estimated historical cost. Donated capital assets are stated at fair market value at the time of donation. The Primary Government capitalizes all equipment that has a cost or value greater than $50,000 and expected useful life of greater than two years. The Primary Government capitalizes all property, plant, and infrastructure that have a cost or value greater than $100,000 and an expected useful life of greater than two years. Selected agencies and institutions of higher education utilize a capitalization limit lower or higher than the Primary Government's established thresholds for various reasons. Accordingly, reported capital assets may include some items that cost less than those thresholds. Infrastructure, including highways, bridges, and rights-of-way, is capitalized using the historical approach.

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

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

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

(1) they extend the asset life, improve productivity, or improve the quality of service; and

(2) they fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation or demolition phase of the asset life.

The estimated lives of capital assets are as follows:

| | Years |
|---|---|
| Buildings | 15–50 |
| Equipment | 2–20 |
| Infrastructure | 5–50 |

Selected institutions of higher education may utilize estimated lives and policies that differ from the above for various reasons.

**O. Accounts Payable**

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* accounts payable also include payments for nonexchange transactions that met eligibility requirements prior to year-end (see Note 18).

**P. Unearned and Deferred Revenue**

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2005. Deferred revenue represents revenues accrued but not available to finance expenditures of the current fiscal period. The majority of unearned revenue is reported by higher education institutions (Component Unit), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. In the General Fund (major), deferred revenue represents receivables that will be collected after August 31, 2005. In the Special Revenue Funds, unearned revenue is composed primarily of Federal grant money received but not spent. In the Enterprise Funds, a majority of unearned revenue represents on-line ticket monies received by the State Lottery (major) for which corresponding drawings have not been held and unearned revenues of Consolidated Laboratory (nonmajor). In the Internal Service Funds, it represents primarily unearned premiums for the Risk Management Fund, prepaid rent and work orders for the Maintenance and Repair Fund, and capital asset transfers from various agencies to the Virginia Information Technologies Agency Internal Service Fund. The unearned revenue related to capital assets will be amortized to income over the life of the assets. Unearned revenues in the other

component units consist primarily of the deferral of fees related to various activities.

**Q. Deferred Taxes**

Deferred taxes represent the deferral of income taxes withheld or received for the period January through June 2005. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated overpayments total $558,116,928 and estimated underpayments total $298,055,396. This results in deferred taxes of $262,688,416. Corporate income tax estimated overpayments total $35,103,334 and estimated underpayments total $52,165,286. When under-payments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for corporate income taxes, the deferred tax amount is zero for the fiscal year.

**R. Claims Payable**

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2005. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the Primary Government's liability insurance programs are reported in the Risk Management – Internal Service Fund, and the Risk Management – Nonmajor Enterprise Fund. Also, health insurance claims are reported in the Health Care – Internal Service Fund and the Local Choice Health Care – Nonmajor Enterprise Fund (see Note 17.A. and 17.B.).

**S. Obligations Under Securities Lending Program**

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

**T. Other Liabilities**

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year-end (see Note 19).

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the Primary Government. The Primary Government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. Any short-term debt balances outstanding at June 30 are reported as Other Liabilities. For fiscal year 2005, the Primary Government's agencies did not participate in short-term borrowings with external parties. Higher Education Institutions' Foundations (Component Units) have lines of credit outstanding as of year-end that amount to approximately $42.7 million. The Virginia Commonwealth University (Major Component Unit) has short-term debt of $25 million as of year-end. Also, the University of Virginia (Major Component Unit) reports approximately $84.9 million of commercial paper as Long-term Liabilities – Due in More than One Year because it was in anticipation of a bond issuance.

**U. Long-term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 20).

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

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In these fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 20).

**V. Reserved Fund Balances**

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

**W. Unreserved, Designated Fund Balances**

Designations of fund balance, as shown in Note 3, are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the Primary Government to designate the portion of fund balance set aside by the General Assembly through the Appropriation Act to fund tentative but approved future plans. Unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund

balance. It is the policy of the Primary Government to limit such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur.

**X. Unreserved, Undesignated Fund Balances**

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

**Y. Cash Management Improvement Act**

Included in "Due to Other Governments" is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the Federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on or before March 1, 2006. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the annualized average earnings rate of 13-week Treasury Bills.

**Z. Interest, Dividends, Rents, and Other Investment Income**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investment income is reported in this line item. Since this amount includes changes in the fair value of investments, the amount reported may be negative. In addition, the amount reported also includes rent payments received on properties owned by the Commonwealth.

**AA. Intrafund Eliminations**

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

**BB. Interfund Activity**

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

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to a different fund that expends the resources.

## 2. RESTATEMENT OF BEGINNING BALANCES

The government-wide beginning balance restatements resulted from the following:

- Governmental Activities have been restated primarily for unamortized premiums and accrued interest payable not recorded in previous years, and the correction of prior year errors regarding the overstatement of capital assets.

- Business-type Activities have been restated due to reporting entity changes and correction of prior year errors. The Division of Legislative Services was reported as a Nonmajor Enterprise Fund in fiscal year 2004, but will be reported as part of Special Revenue Other in fiscal year 2005. Commuter Rail was reported as part of Risk Management (Nonmajor Enterprise Fund) in fiscal year 2004, but is reported as an Agency Fund in fiscal year 2005. The restatement is also due to correction of prior year errors regarding capital assets.

- Component Units have been restated primarily due to the correction of prior year errors related to the understatement of accounts payable and unrecorded capital assets.

The various individual fund amounts have been restated due to the following:

- The General Fund restatement is due to prior year errors related to the overstatement of payables and inventory.

- The Special Revenue Commonwealth Transportation and Special Revenue Federal Funds have been restated due to prior year errors related to expenditures and receivables.

- The Special Revenue Dedicated and Special Revenue Other Funds were restated due to prior year errors related to receivables. The Special Revenue Other Fund was also restated due to a change in methodology for reporting the administration portion of the Child Support Agency Fund. The Virginia Land Conservation Foundation was restated because it is reported as a discrete component unit in fiscal year 2005.

- Enterprise Funds have been restated due to reporting entity changes of the Division of Legislative Services and Risk Management. The Virginia Industries for the Blind restatement is due to the correction of prior year errors regarding capital assets.

- Investment Trust Funds were restated due to prior year errors related to unrecorded cash and cash equivalents.

- The University of Virginia amount has been restated primarily due to the understatement of accounts payable in the prior year.

- Nonmajor Higher Education Institution amounts have been restated for various reasons. Most of the restatement is because of Longwood University's correction of prior year errors in reporting capital asset amounts.

- Nonmajor Component Units have been restated for various reasons. Most of the restatement is because the Virginia Land Conservation Foundation and Virginia Arts Foundation were reported as blended component units in fiscal year 2004, but are reported as discrete component units in fiscal year 2005.

- Agency Funds have been restated due to reporting entity changes. The Child Support Collections Fund was restated due to a change in methodology for reporting the administration portion of the fund which is now reported in the Special Revenue Other Fund. The Optional Life Insurance Fund has been outsourced and is no longer an Agency Fund. The Milk Commission Fund is reported as part of the Consumer Services Fund starting in fiscal year 2005. Commuter Rail, reported as part of Risk Management in prior years, is reported as an Agency Fund beginning in fiscal year 2005.

**Beginning Balance Restatement**

*(Dollars in Thousands)*

| | Balance as of June 30, 2004 | Correction of Prior Year Errors | Change in Reporting Entity | Balance June 30, 2004 as restated |
|---|---|---|---|---|
| **Government-wide Activities:** | | | | |
| Primary Government: | | | | |
| Governmental Activities | $ 12,552,160 | $ (193,540) | $ - | $ 12,358,620 |
| Business-type Activities | 184,223 | 5,246 | (15,435) | 174,034 |
| Total Primary Government | $ 12,736,383 | $ (188,294) | $ (15,435) | $ 12,532,654 |
| Component Units | $ 12,692,838 | $ 5,722 | $ 4,752 | $ 12,703,312 |
| **Major Governmental Funds:** | | | | |
| General | $ 446,239 | $ (245) | $ - | $ 445,994 |
| Special Revenue Funds: | | | | |
| Commonwealth Transportation | 1,320,629 | (10,604) | - | 1,310,025 |
| Federal Trust | 21,114 | 1,809 | - | 22,923 |
| Literary | 337,000 | - | - | 337,000 |
| **Nonmajor Governmental Funds:** | | | | |
| Special Revenue Funds: | | | | |
| Dedicated Special Revenue Fund | 200,513 | 298 | - | 200,811 |
| Other Special Revenue Fund | 352,215 | 13,926 | 14,072 | 380,213 |
| Virginia Land Conservation Foundation Fund | 2,168 | - | (2,168) | - |
| Total Special Revenue | 554,896 | 14,224 | 11,904 | 581,024 |
| Debt Service Funds: | | | | |
| Primary Government | 74,088 | - | - | 74,088 |
| Virginia Public Building Authority | 1,343 | - | - | 1,343 |
| Total Debt Service | 75,431 | - | - | 75,431 |
| Capital Project Funds: | | | | |
| Primary Government | 8,324 | - | - | 8,324 |
| Virginia Public Building Authority | (33,698) | - | - | (33,698) |
| Total Capital Projects | (25,374) | - | - | (25,374) |
| Permanent Funds: | | | | |
| Commonwealth Health Research Fund | 27,182 | - | - | 27,182 |
| Mental Health Endowment Funds | 251 | - | - | 251 |
| Virginia Arts Foundation | 298 | - | (298) | - |
| Total Permanent Funds | 27,731 | - | (298) | 27,433 |
| **Total Nonmajor Governmental Funds** | 632,684 | 14,224 | 11,606 | 658,514 |
| **Total Governmental Funds** | $ 2,757,666 | $ 5,184 | $ 11,606 | $ 2,774,456 |

**Beginning Balance Restatement**
**Proprietary Funds**

*(Dollars in Thousands)*

| | Balance as of June 30, 2004 | Correction of Prior Year Errors | Change in Reporting Entity | Balance June 30, 2004 as restated |
|---|---|---|---|---|
| **Major Enterprise Funds:** | | | | |
| State Lottery | $ (2,309) | $ - | $ - | $ (2,309) |
| Virginia College Savings Plan | (128,493) | - | - | (128,493) |
| Pocahontas Parkway | (115,062) | - | - | (115,062) |
| Unemployment Compensation | 371,845 | - | - | 371,845 |
| **Nonmajor Enterprise Funds:** | | | | |
| Department of Alcoholic Beverage Control | (6,740) | (251) | - | (6,991) |
| Risk Management | 21,640 | - | (15,429) | 6,211 |
| Local Choice Health Care | 15,366 | - | - | 15,366 |
| Virginia Industries for the Blind | 6,748 | 5,497 | - | 12,245 |
| Consolidated Laboratory | 681 | - | - | 681 |
| eVA Procurement System | (4,309) | - | - | (4,309) |
| Department of Environmental Quality | 7,786 | - | - | 7,786 |
| Wireless E-911 Service Board | 15,285 | - | - | 15,285 |
| Virginia Information Providers Network | 284 | - | - | 284 |
| Virginia Museum of Fine Arts | 917 | - | - | 917 |
| Science Museum of Virginia | 266 | - | - | 266 |
| Mental Health Local Funds | 256 | - | - | 256 |
| Division of Legislative Services | 6 | - | (6) | - |
| Library of Virginia | - | - | - | - |
| School for the Deaf and Blind - Staunton | 1 | - | - | 1 |
| **Total Nonmajor Enterprise Funds** | 58,187 | 5,246 | (15,435) | 47,998 |
| **Total Enterprise Funds** | $ 184,168 | $ 5,246 | $ (15,435) | $ 173,979 |
| **Total Internal Service Funds** | $ (116,941) | $ - | $ - | $ (116,941) |

**Beginning Balance Restatement**
**Fiduciary Funds**

*(Dollars in Thousands)*

| | Balance as of June 30, 2004 | Correction of Prior Year Errors | Balance June 30, 2004 as restated |
|---|---|---|---|
| Private Purpose Funds | $ 7,682,237 | $ - | $ 7,682,237 |
| Pension Trust Funds | 40,043,807 | - | 40,043,807 |
| **Investment Trust Funds:** | | | |
| Local Government Investment Pool (LGIP) | 2,251,393 | 401 | 2,251,794 |
| State Non-Arbitrage Pool (SNAP) | 1,308,946 | 76,962 | 1,385,908 |
| SNAP Individual Investment Accounts | 161,651 | - | 161,651 |
| Total Investment Trust Funds | 3,721,990 | 77,363 | 3,799,353 |
| **Total Fiduciary Funds** | $ 51,448,034 | $ 77,363 | $ 51,525,397 |

**Beginning Balance Restatement**
**Component Units**

*(Dollars in Thousands)*

| | Balance as of June 30, 2004 | Correction of Prior Year Errors | Change in Reporting Entity | Balance June 30, 2004 as restated |
|---|---|---|---|---|
| **Major Component Units** | | | | |
| Virginia Housing Development Authority | $ 1,542,876 | $ - | $ - | $ 1,542,876 |
| Virginia Public School Authority | 24,773 | - | - | 24,773 |
| University of Virginia | 4,452,949 | (16,314) | - | 4,436,635 |
| Virginia Polytechnic Institute and State University | 1,000,681 | - | - | 1,000,681 |
| Virginia Commonwealth University | 1,073,762 | - | - | 1,073,762 |
| **Nonmajor Component Units** | | | | |
| Virginia Economic Development Partnership | 189 | - | - | 189 |
| Virginia Outdoors Foundation | 7,892 | - | - | 7,892 |
| Virginia Port Authority | 342,596 | - | - | 342,596 |
| Virginia Resources Authority | 920,440 | - | - | 920,440 |
| Virginia Tourism Authority | 1,253 | - | - | 1,253 |
| Virginia Tobacco Settlement Foundation | 7,006 | - | - | 7,006 |
| Tobacco Indemnification and Community Revitalization Commission | 83,645 | - | - | 83,645 |
| Hampton Roads Sanitation District Commission | 353,144 | - | - | 353,144 |
| Virginia Biotechnology Research Park Authority | 13,010 | (927) | - | 12,083 |
| Virginia Small Business Financing Authority | 30,114 | - | - | 30,114 |
| Virginia School for the Deaf and Blind Foundation | 2,539 | - | - | 2,539 |
| Science Museum of Virginia Foundation | 11,496 | (167) | - | 11,329 |
| Virginia Museum of Fine Arts Foundation | 165,082 | - | - | 165,082 |
| A. L. Philpott Manufacturing Extension Partnership | 853 | - | - | 853 |
| Virginia Equine Center Foundation | 2,917 | - | - | 2,917 |
| Certified Nursing Facility Education Initiative | 170 | - | - | 170 |
| Virginia Land Conservation Foundation | - | - | 2,168 | 2,168 |
| Virginia Arts Foundation | - | - | 298 | 298 |
| Library of Virginia Foundation | - | 4,515 | - | 4,515 |
| College of William and Mary | 717,602 | - | - | 717,602 |
| Virginia Military Institute | 344,518 | - | - | 344,518 |
| Virginia State University | 86,920 | - | - | 86,920 |
| Norfolk State University | 54,893 | - | - | 54,893 |
| University of Mary Washington | 97,731 | - | - | 97,731 |
| James Madison University | 302,333 | - | - | 302,333 |
| Radford University | 146,314 | - | - | 146,314 |
| Old Dominion University | 315,055 | - | - | 315,055 |
| George Mason University | 317,849 | - | - | 317,849 |
| Virginia Community College System | 505,772 | - | - | 505,772 |
| Christopher Newport University | 106,267 | - | - | 106,267 |
| Longwood University | 114,126 | 15,815 | - | 129,941 |
| Southwest Virginia Higher Education Center | 10,364 | - | - | 10,364 |
| Roanoke Higher Education Authority | 11,794 | 2,800 | - | 14,594 |
| Innovative Technology Authority | 21,843 | - | - | 21,843 |
| Institute of Advanced Learning and Research | - | - | 2,286 | 2,286 |
| Virginia College Building Authority | (497,930) | - | - | (497,930) |
| | | | - | |
| **Total Nonmajor Component Units** | 4,597,797 | 22,036 | 4,752 | 4,624,585 |
| **Total Component Units** | $ 12,692,838 | $ 5,722 | $ 4,752 | $ 12,703,312 |

**Beginning Balance Restatement**
**Agency Funds**

*(Dollars in Thousands)*

| | Balance as of July 1, 2004 | Change in Reporting Entity | Balance as of July 1, 2004 as restated |
|---|---|---|---|
| **Agency Funds** | | | |
| Funds for the Collection of Taxes and Fees | $ 196,730 | $ - | $ 196,730 |
| Employee Benefits Fund | 3,249 | - | 3,249 |
| Contractor Deposits Fund | 25,407 | - | 25,407 |
| Deposits of Insurance Carriers Fund | 397,452 | - | 397,452 |
| Inmate and Ward Fund | 6,745 | - | 6,745 |
| Child Support Collections Fund | 29,584 | (21,009) | 8,575 |
| Mental Health Patient Trust Fund | 2,446 | - | 2,446 |
| Mental Health Non-patient Trust Fund | 23 | - | 23 |
| Optional Life Insurance Fund | 3,419 | (3,419) | - |
| Comptroller's Debt Setoff Fund | 960 | - | 960 |
| Unclaimed Property of Other States | 2,157 | - | 2,157 |
| Legal Settlement Fund | 2,014 | - | 2,014 |
| Consumer Services Fund | 570 | 2 | 572 |
| Department of State Police Fund | 769 | - | 769 |
| Aviation Fund | 167 | - | 167 |
| Virginia School for the Deaf and Blind Fund | 35 | - | 35 |
| Woodrow Wilson Rehabilitation Center Fund | 6 | - | 6 |
| Dog and Cat Sterilization Fund | 2 | - | 2 |
| Milk Commission Fund | 2 | (2) | - |
| Commuter Rail Fund | - | 16,126 | 16,126 |
| Environmental Quality Fund | 3,000 | - | 3,000 |
| **Total Agency Funds** | $ 674,737 | $ (8,302) | $ 666,435 |

Enterprise Funds have been restated due to reporting entity changes of the Division of Legislative Services and Risk Management.

**Beginning Cash and Cash Equivalents Restatement**
**Proprietary Funds**

*(Dollars in Thousands)*

| | Balance as of June 30, 2004 | Change in Reporting Entity | Balance June 30, 2004 as restated |
|---|---|---|---|
| **Major Enterprise Funds:** | | | |
| State Lottery | $ 7,697 | $ - | $ 7,697 |
| Virginia College Savings Plan | 98,804 | - | 98,804 |
| Pocahontas Parkway | 5,046 | - | 5,046 |
| Unemployment Compensation | 298,571 | - | 298,571 |
| **Nonmajor Enterprise Funds:** | | | |
| Department of Alcoholic Beverage Control | 598 | - | 598 |
| Risk Management | 19,966 | (2,497) | 17,469 |
| Local Choice Health Care | 18,635 | - | 18,635 |
| Virginia Industries for the Blind | 2,382 | - | 2,382 |
| Consolidated Laboratory | 2,174 | - | 2,174 |
| eVA Procurement System | 717 | - | 717 |
| Department of Environmental Quality | 9,979 | - | 9,979 |
| Wireless E-911 Service Board | 13,561 | - | 13,561 |
| Virginia Information Providers Network | 843 | - | 843 |
| Virginia Museum of Fine Arts | 748 | - | 748 |
| Science Museum of Virginia | 203 | - | 203 |
| Mental Health Local Funds | 364 | - | 364 |
| Division of Legislative Services | 6 | (6) | - |
| Library of Virginia | - | - | - |
| School for the Deaf and Blind - Staunton | 1 | - | 1 |
| **Total Nonmajor Enterprise Funds** | 70,177 | (2,503) | 67,674 |
| **Total Enterprise Funds** | $ 480,295 | $ (2,503) | $ 477,792 |
| **Total Internal Service Funds** | $ 174,504 | $ - | $ 174,504 |

## 3. GENERAL FUND ANALYSIS – BASIS OF BUDGETING

The following schedule represents reservations and designations of General Fund balance on the basis of budgeting presented in the General Fund Preliminary (Unaudited) Annual Report dated August 15, 2005.

**Reservations and Designations of Fund Balance**
**General Fund, Basis of Budgeting**
June 30, 2005

*(Dollars in Thousands)*

| | | |
|---|---|---|
| Reserved Fund Balance: | | |
| Revenue Stabilization Reserve Fund | $ 482,259 | |
| Revenue Stabilization Reserve 2004 | 181,936 | |
| Payroll Reserve for July 1, 2005 Payroll | 74,220 | |
| Unexpended Lottery Proceeds | 352 | |
| Total Reserved Fund Balance | | 738,767 |
| Unreserved Fund Balance: | | |
| Designated: | | |
| Amount Required for Reappropriation of 2004 Unexpended Balances: | | |
| Mandatory Reappropriations | 145,445 | |
| Discretionary Reappropriations | 19,202 | |
| Capital Outlay | 115,876 | |
| Amount Required to Balance Chapter 951, 2005 Acts of Assembly | 300,355 | |
| Virginia Water Quality Improvement Fund - Part A | 54,450 | |
| Virginia Water Quality Improvement Fund - Part B | 2,134 | |
| Natural Disaster Sum Sufficient | 26,818 | |
| Accelerated Sales Tax for Transportation Trust Fund | 26,204 | |
| Revenue Stabilization Fund Contribution | 402,223 | |
| Standards of Quality (SOQ) Replacement 2nd Year | 8,869 | |
| Base Realignment and Closure (BRAC) Allocation | 25,000 | |
| Total Designated Fund Balance | | 1,126,576 |
| Fund Balance, June 30, 2005 | | $ 1,865,343 |

## 4. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. Management has designated $402.2 million for deposit into the Fund during fiscal year 2007. This amount designated for deposit is allowed under the provisions of Article X, Section 8 of the *Constitution of Virginia*.

The *Constitution* requires a deposit based on growth in income and retail sales tax revenue and allows revenue growth from increases in tax rates or the repeal of exemptions to be excluded, in whole or part, from the deposit calculation for up to six years. The minimum mandatory deposit would have been $354.1 million if all revenue increases from tax reform (including those derived from estimates) were excluded from the deposit calculations, and the maximum mandatory deposit would have been $600.6 million if all tax increases from tax reform were included. The fiscal year 2005 deposit designation of $402.2 million excludes that impact of revenue increases resulting from the repeal of the public service corporation exemption ($29.8 million in revenue) and the sales tax rate increase ($295.3 million in revenue).

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the Fund when specific criteria have been met. No designation is required since the specified criteria were not met for fiscal year 2005.

The Revenue Stabilization Fund has principal and interest on deposit of $482.3 million reserved as a part of General Fund balance. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The maximum amount allowed is $977.8 million and $1.1 billion for fiscal year 2005 and fiscal year 2006, respectively.

## 5. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which modifies previous disclosure requirements related to investment risk, and is effective for reporting periods beginning after June 15, 2004. Required investment risk disclosures address credit risk, including custodial credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk. The Commonwealth implemented this new accounting standard for the fiscal year ended June 30, 2005.

At June 30, 2005, the carrying amount of cash for the primary government was $2,562,013,719 and the bank balance was $227,252,983. The carrying amount of cash for the component units was $1,195,209,818 and the bank balance was $351,446,938. Cash equivalents are investments with an original maturity of three months or less. Cash and cash equivalents for Foundations (Component Units) totaled $203,090,115 as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation Investments are disclosed at Interest Rate Risk section in this note.

The deposits of the primary government and the component units, excluding Foundations (Component Units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia.* The Act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50 percent to 100 percent of public deposits in the case of a bank and 100 percent to 110 percent for a savings institution.

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

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.1–32.8 et seq. of the *Code of Virginia*. The Act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

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

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

Permitted investments include agency mortgage-backed securities, reported as U.S. Treasury and agency securities, and asset-backed securities, reported as corporate notes, which by definition usually expose the investor to prepayment risk.

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

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

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

The information presented for the external investment pools was obtained from audited financial statements. Copies of the State Non-Arbitrage Program (SNAP) report may be obtained by writing PFM Asset Management LLC, One Keystone Plaza, Suite 300,

North Front & Market Streets, Harrisburg, Pennsylvania 17101-2044. Copies of the Local Government Investment Pool (LGIP) report may be obtained by writing the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218. Participation in these pools is voluntary, except for participants who borrow through the Virginia Public School Authority's pooled bond program and must participate in SNAP.

SNAP is an open-end management investment company registered with the Securities Exchange Commission (SEC). LGIP is not SEC-registered; however, it maintains a policy to operate in a manner consistent with SEC Rule 2a7.

**Custodial Risk**

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

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

As of June 30, 2005, the primary government had $546,523,639 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The VRS had $462,387,000 of this amount that consisted of various types of debt and equity securities that were held by counterparties' trust departments or agents, but not in the VRS' name. Investments held by broker-dealers under securities loan for U.S. Government and Agency Securities represented $229,118,000 and U.S. Treasury and Agency Securities represented $121,582,403 of the total. The remainder was for various types of debt and equity securities. The component units had $43,304,381 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. Repurchase Agreements represented $25,358,438 of the total and the remainder was for various types of debt and equity securities.

As of June 30, 2005, the investments of the Pension Trust Funds were approximately 65 percent of the primary government investments, and 85 percent of those that were exposed to custodial risk.

**Interest Rate Risk**

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

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

| Security Type | Maximum Duration |
|---|---|
| Corporate Security | 15 years |
| Asset-Backed Securities | 5 years |
| Sovereign Government Obligations (Excluding U.S.) | 5 years |
| Negotiable Certificates of Deposit and Negotiable Bank Notes | 5 years |

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

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

At June 30, 2005, the Commonwealth had the following investments and maturities:

**Primary Government Investments**

*(Dollars in Thousands)*

| Investment Type | Fair Value | Investment Maturities (in years) Less Than 1 | 1-5 | 6-10 | More Than 10 |
|---|---|---|---|---|---|
| Debt Securities | | | | | |
| U. S. Treasury and Agency Securities | $ 4,427,049 | $ 2,242,114 | $ 1,267,445 | $ 335,842 | $ 581,648 |
| Corporate Notes | 1,223,530 | 955,717 | 256,882 | 6,128 | 4,803 |
| Corporate Bonds | 2,760,577 | 484,272 | 717,448 | 902,329 | 656,528 |
| Commercial Paper | 3,798,172 | 3,798,172 | - | - | - |
| Negotiable Certificates of Deposit | 1,474,685 | 1,437,775 | 36,910 | - | - |
| Non-negotiable Certificates of Deposit | 73,132 | 73,132 | - | - | - |
| Repurchase Agreements | 3,975,266 | 3,970,817 | - | - | 4,449 |
| Municipal Securities | 84,880 | 8,549 | 27,876 | 20,478 | 27,977 |
| Asset Backed Securities | 995,339 | 41,142 | 421,420 | 320,779 | 211,998 |
| Agency Mortgage Backed | 2,637,750 | 18,225 | 188,077 | 218,862 | 2,212,586 |
| Mutual and Money Market Funds (Include SNAP) | 1,967,077 | 1,967,077 | - | - | - |
| The Boston Company Pooled Employee Trust Fund | 1,274,734 | 1,274,734 | - | - | - |
| Guaranteed Investment Contracts | 177,989 | 2,986 | 175,003 | - | - |
| Fixed Income and Commingled Funds | 1,631,369 | 237,910 | 739,049 | 396,184 | 258,226 |
| Deposits with the U.S. Treasury for Unemployment Compensation | 478,665 | 478,665 | - | - | - |
| Investments held by broker-dealers under securities loans | | | | | |
| U. S. Government and Agency Securities | 2,477,507 | 71,077 | 1,263,265 | 437,186 | 705,979 |
| Corporate Notes | 117,336 | 117,336 | - | - | - |
| Corporate Bonds | 380,246 | 104,025 | 59,997 | 111,997 | 104,227 |
| Other | 802,584 | 252,712 | 19,162 | 20,447 | 510,263 |
| Total | $ 30,757,887 | $ 17,536,437 | $ 5,172,534 | $ 2,770,232 | $ 5,278,684 |

**Component Unit Investments**

*(Dollars in Thousands)*

| Investment Type | Fair Value | Investment Maturities (in years) Less Than 1 | 1-5 | 6-10 | More Than 10 |
|---|---|---|---|---|---|
| Debt Securities | | | | | |
| U. S. Treasury and Agency Securities | $ 489,450 | $ 326,044 | $ 147,758 | $ 3,939 | $ 11,709 |
| Corporate Notes | 151,848 | 87,917 | 55,765 | 7,358 | 808 |
| Corporate Bonds | 15,678 | 2,645 | 8,022 | 1,405 | 3,606 |
| Commercial Paper | 118,793 | 118,793 | - | - | - |
| Banker's Acceptance | 3,593 | 3,593 | - | - | - |
| Negotiable Certificates of Deposit | 1,608 | 1,580 | 28 | - | - |
| Non-negotiable Certificates of Deposit | 8,350 | 8,190 | 160 | - | - |
| Repurchase Agreements | 454,490 | 443,123 | 6,874 | - | 4,493 |
| Municipal Securities | 2,463,687 | - | 28,979 | 63 | 2,434,645 |
| Asset Backed Securities | 254,377 | 969 | 22,784 | 40,296 | 190,328 |
| Agency Mortgage Backed | 249,802 | 80,192 | 43,738 | 11,076 | 114,796 |
| Mutual and Money Market Funds (Include SNAP) | 841,247 | 785,065 | 27,036 | 29,146 | - |
| Guaranteed Investment Contracts | 627,475 | 342,198 | - | 1,515 | 283,762 |
| Investments held by broker-dealers under securities loans | | | | | |
| U. S. Government and Agency Securities | 7,992 | 3,460 | 3,445 | - | 1,087 |
| Other | 388,901 | 347,434 | - | 564 | 40,903 |
| Total | $ 6,077,291 | $ 2,551,203 | $ 344,589 | $ 95,362 | $ 3,086,137 |

**Foundation Investments**
*(Dollars in Thousands)*

| Investment Type | Fair Value |
|---|---|
| U.S. Treasury and Agency Securities | $ 341,225 |
| Common & Preferred Stocks | 1,023,071 |
| Corporate Notes | 31,992 |
| Corporate Bonds | 125,670 |
| Commercial Paper | 8,250 |
| Negotiable Certificates of Deposit | 2,027 |
| Municipal Securities | 17,647 |
| Asset Backed Securities | 138,671 |
| Agency Mortgage Backed | 10,107 |
| Mutual and Money Market Funds | 1,397,677 |
| Bankers' Acceptance | 497 |
| Real Estate | 109,152 |
| Index Funds | 98,269 |
| Hedge Funds | 1,753,039 |
| Others | 500,096 |
| Investments in Local Government Investment Pool | 5,800 |
| Total | $ 5,563,190 |

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

## Credit Risk

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

- Bankers acceptances: P-1, Moody's and A-1, S&P
- Negotiable CDs and bank notes:
  - maturities of one year or less: P-1, Moody's and A-1, S&P
  - maturities over one year: Aa, Moody's and AA, S&P
- Commercial paper: P-1, Moody's; A-1, S&P
- Corporate Notes and Bonds and Busted Convertibles: A or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P
- Taxable Municipal Bonds: A or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P
- Asset-backed securities: AAA or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P
- Dollar denominated obligations of sovereign governments: Aaa, Moody's and AAA, S&P
- Commercial Mortgage-Backed Securities (CMBS), Collateralized Mortgage Obligations (CMOs), and Planned Amortization Classes (PACs): AAA or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P

The following tables present the credit ratings for the majority of the investments of the primary government and component units as of June 30, 2005. The ratings presented below are using Standard & Poor's (S&P) and Moody's Investors Service (Moody's) rating scales. Within the primary government, the investments presented in the table represented 88.60 percent of the total debt securities, 14.39 percent of which were invested in obligations guaranteed by the U.S. Government. Within the component units, the investments presented in the table represented 95.98 percent of the total debt securities, 40.06 percent of which were invested in Municipal Securities.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth's credit risk related to derivatives is found in the Derivative Financial Instruments note.

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

**Credit Rating - Primary Government**

*(Dollars in Thousands)*

| Investment | Amount | Rating | Percent of Portfolio |
|---|---|---|---|
| U. S. Treasury and Agency Securities | $ 4,426,162 | Unrated | 14.39% |
| Agency Mortgage Backed | 2,618,355 | AAA | 8.51% |
| Investments held by broker-dealers under securities loans (U.S. Government and Agency Securities) | 2,289,493 | AAA | 7.44% |
| Commercial Paper | 1,899,197 | Unrated | 6.17% |
| Commercial Paper | 1,898,975 | A-1 | 6.17% |
| Mutual and Money Market Funds (Include SNAP) | 1,813,809 | AAA | 5.90% |
| Repurchase Agreements | 1,546,358 | Unrated | 5.03% |
| Negotiable Certificates of Deposit | 1,474,685 | Unrated | 4.79% |
| Repurchase Agreements | 1,326,100 | AAA | 4.31% |
| The Boston Company Pooled Employee Trust Fund | 1,274,734 | AA | 4.14% |
| Repurchase Agreements | 1,068,688 | A-1 | 3.47% |
| Asset Backed Securities | 929,219 | AAA | 3.02% |
| Corporate Bonds | 622,614 | A | 2.02% |
| Fixed Income and Commingled Funds | 570,201 | BBB | 1.85% |
| Corporate Bonds | 531,029 | BBB | 1.73% |
| Deposits with the U.S. Treasury for Unemployment Compensation | 478,665 | Unrated | 1.56% |
| Fixed Income and Commingled Funds | 474,596 | A | 1.54% |
| Corporate Bonds | 457,805 | B | 1.49% |
| Other | 456,378 | AAA | 1.48% |
| Corporate Bonds | 407,819 | BB | 1.33% |
| Corporate Notes | 367,606 | A-1 | 1.20% |
| Fixed Income and Commingled Funds | 319,928 | Aaa | 1.04% |

**Credit Rating - Component Units**

*(Dollars in Thousands)*

| Investment | Amount | Rating | Percent of Portfolio |
|---|---|---|---|
| Municipal Securities | $ 2,434,367 | Unrated | 40.06% |
| Mutual and Money Market Funds (Include SNAP) | 751,955 | AAA | 12.37% |
| Guaranteed Investment Contracts | 627,475 | Unrated | 10.32% |
| U. S. Treasury and Agency Securities | 489,450 | Unrated | 8.05% |
| Repurchase Agreements | 449,997 | Unrated | 7.40% |
| Other | 382,478 | Unrated | 6.29% |
| Asset Backed Securities | 252,908 | Aaa | 4.16% |
| Agency Mortgage Backed | 149,796 | Aaa | 2.46% |
| Mutual and Money Market Funds (Include SNAP) | 85,103 | Unrated | 1.40% |
| Corporate Notes | 76,273 | AAA | 1.26% |
| Agency Mortgage Backed | 71,567 | Unrated | 1.18% |
| Commercial Paper | 61,836 | A-1 | 1.02% |

### Concentration of Credit Risk

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than 5 percent of the value of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or Agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit.

The VRS investment guidelines for each specific portfolio also limit investments in any corporate entity to no more that 5 percent of the market value of the account for both the internally and externally managed portfolios. There is no concentration of investments in any one organization that represents 5 percent or more of plan net assets available for benefits.

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversly impact the fair value of an investment. All investments exposed to foreign currency risk were part of the VRS portfolio at June 30, 2005.

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

**Currency Exposures by Asset Class**

*(Dollars in Thousands)*

| Currency | Cash & Cash Equivalents | Common & Preferred Stocks | Equity Index & Pooled Funds | Corporate Bonds | Total |
|---|---|---|---|---|---|
| Euro Currency unit | $ 17,908 | $ 1,153,194 | $ 1,358,687 | $ 59,889 | $ 2,589,678 |
| British Pound Sterling | 126,370 | 604,399 | 1,011,566 | - | 1,742,335 |
| Japanese Yen | 12,328 | 732,032 | 884,572 | 12,219 | 1,641,151 |
| Swiss Franc | 3,127 | 173,889 | 238,480 | - | 415,496 |
| Canadian Dollar | 7,274 | 144,387 | 168,333 | 3,698 | 323,692 |
| Australian Dollar | (1,257) | 313,968 | 1,037 | 6,575 | 320,323 |
| Hong Kong Dollar | (3,095) | 156,035 | 112,900 | - | 265,840 |
| South Korean Won | - | 242,959 | - | - | 242,959 |
| New Taiwan Dollar | 5,183 | 215,152 | 6,090 | - | 226,425 |
| Swedish Krona | 4,193 | 73,949 | 85,191 | - | 163,333 |
| Norwegian Krone | 2,882 | 101,883 | 42,997 | - | 147,762 |
| South African Comm Rand | 4,088 | 86,972 | 5,938 | - | 96,998 |
| Singapore Dollar | 4,845 | 38,081 | 44,496 | - | 87,422 |
| Indian Rupee | 1,091 | 53,393 | 12,513 | - | 66,997 |
| New Turkish Lira | 271 | 62,021 | - | - | 62,292 |
| Mexican New Peso | 265 | 30,106 | 30,498 | - | 60,869 |
| Malaysian Ringgit | 711 | 41,381 | 4,883 | - | 46,975 |
| Brazil Real | 890 | 9,305 | 35,138 | - | 45,333 |
| Danish Krone | 2 | 10,269 | 34,678 | - | 44,949 |
| Polish Zloty | 39 | 25,277 | 4,930 | - | 30,246 |
| Egyptian Pound | 116 | 16,362 | 13,754 | - | 30,232 |
| Thailand Baht | 171 | 23,248 | 5,636 | - | 29,055 |
| Indonesian Rupian | - | 19,607 | 7,206 | - | 26,813 |
| Russian Rubel (New) | - | 1,257 | 15,237 | - | 16,494 |
| Hungarian Forint | 293 | 14,944 | 1,241 | - | 16,478 |
| Philippines Peso | 146 | 11,358 | 4,702 | - | 16,206 |
| Israeli Sheckel | 858 | 11,321 | 1,192 | - | 13,371 |
| New Zealand Dollar | 2 | 2,400 | 9,810 | - | 12,212 |
| Argentina Peso | - | - | 7,714 | - | 7,714 |
| Turkish Lira | 7,189 | (295) | 295 | - | 7,189 |
| Colombian Peso | 525 | 3,291 | 220 | - | 4,036 |
| Chilean Peso | - | - | 1,474 | - | 1,474 |
| Czech Koruna | 35 | 1,428 | 10 | - | 1,473 |
| Chinese Yuan Renminbi | - | 1 | 950 | - | 951 |
| Pakistan Rupee | - | 455 | - | - | 455 |
| German Mark | - | - | 54 | - | 54 |
| Peruvian Nuevo Sol | - | 15 | - | - | 15 |
| Slovak Koruna | - | - | (202) | - | (202) |
| **Total** | $ 196,450 | $ 4,374,044 | $ 4,152,220 | $ 82,381 | $ 8,805,095 |

**Securities Lending**

The State Treasury's securities lending program is managed by its Master Custodian, JP Morgan Chase and Company, under a contract dated December 1, 2000. The enabling legislation for the securities lending program is Section 2.2-4506 of Chapter 45 Investment of Public Funds of the *Code of Virginia*, as amended. No violations of legal or contractual provisions were noted during the year. The general account participated in the securities lending program for the entire year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by Treasury with a 24-hour notice. Per the contract with JP Morgan Global Securities Lending, all pledged cash and other collateral attributable to loans made on the Commonwealth's behalf shall be maintained by the Master Custodian Bank, and Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with JP Morgan Global Securities Lending provides for loss indemnification against borrower default as defined in the applicable Master Securities Lending Agreement. Additionally, JP Morgan Chase is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Securities Lending Agreement. There were no losses resulting from default during the reporting period, or recoveries of prior period losses during this reporting period.

When securities are loaned, the collateral received is at least 102 percent of fair value of the securities loaned and must be maintained at 100 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively caps the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 35 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, Agency, Agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Government securities. Collateral received included a combination of cash and non-cash securities, with the non-cash collateral being U.S. Government securities.

Securities loaned for the general account as of June 30, 2005, had a carrying value of $3,243,515,438 and a fair value of $3,158,189,560. The fair value of the collateral received was $3,209,451,980 providing for coverage of 101.6 percent. As a result, the State Treasury assumes no credit risk.

Current cash investment guidelines allow for a maximum weighted-average portfolio maturity of 120 days. At June 30, 2005, the open portion of the cash reinvestment portfolio had a weighted average maturity of 42 days. Treasury's current cash reinvestment guidelines allow for investment in Government securities, AAA rated sovereign governments, commercial paper and corporate notes, negotiable certificates of deposit, certificates of deposit and time-deposits collateralized under the Virginia Security for Public Deposits Act, bankers' acceptances, bank notes, repurchase agreements collateralized by U.S. Treasury and Agency issues, and registered money market funds. At June 30, 2005, cash reinvestments were as follows: $1,092 million in repurchase agreements and cash, $256 million in floating rate corporate notes, $70 million in commercial paper, and $40 million in negotiable certificates of deposit. Non-cash collateral value at June 30, 2005, was approximately $1,752 million in U.S. Government securities.

Under authorization of the Board, the VRS lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the VRS' custodial agent bank. All security loan agreements are collateralized by cash, securities, or irrevocable letter of credit issued by major banks, and have a market value equal to at least 102 percent of the market value for domestic securities and 105 percent for international securities. Securities received as collateral cannot be pledged or sold by the VRS unless the borrower defaults. Contracts require the lending agents to indemnify the VRS if the borrowers fail to return the securities lent and related distributions, and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the VRS or the borrowers. The majority of loans are open loans – meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 62 days. At year-end, the VRS has no credit risk exposure to borrowers because the amounts it owes the borrowers exceed the amounts the borrowers owe it. The market value of securities on loan at June 30, 2005 was $4,401,317,000. The June 30, 2005 balances were composed of U.S. Government and agency securities of $2,440,464,000, corporate and other bonds of $296,354,000 and common and preferred stocks of $1,664,499,000.

The value of collateral (cash and non-cash) at June 30, 2005 was $4,573,872,000.

Securities on loan are included with investments on the statement of net assets. The invested cash collateral is included in the statement of net assets as an asset and corresponding liability.

As authorized by Section 2.2–4506 of the *Code of Virginia*, the Virginia Lottery, through its master custodian, JP Morgan Chase Bank, New York, N. Y., N. A., lends securities to various security brokers and lenders on a temporary basis for a fee. Up to 100 percent of the securities may be available for loan. All security loan agreements are collateralized at loan inception at 102 percent of market value by cash or U.S. Government obligations and adjusted to market daily to cover fair value fluctuations. As a result management believes there is no assumed credit risk.

The Virginia Lottery does not have the ability to use cash collateral or to pledge or sell collateral securities

absent borrower default. The Lottery's contract with JP Morgan Chase Bank provides for loss indemnification against borrower default as a result of bankruptcy, insolvency, reorganization, liquidation, receivership, or similar event. There were no losses resulting from default during the reporting period, or recoveries of prior period losses during this reporting period. At June 30, 2005, the fair value of investment account securities on loan was $326,662,712 secured by $330,703,032 in cash deposits, and $62,857,840 secured by $64,114,996 in market value securities that cannot be pledged or loaned.

**Derivative Financial Instruments**

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

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

In addition to exposure from directly held derivative financial instruments, the VRS may have indirect exposure to risk through its ownership interests in commingled investment funds that use, hold, or write derivative financial instruments. Indirect exposure may also arise from stock lending programs in which the commingled funds participate. Such programs usually reinvest a portion of their cash collateral holdings in derivative instruments. The VRS' pro rata share of the contractual or notional amounts of outstanding derivative transactions in commingled investment funds and their related security lending programs approximated $961,708,000 at June 30, 2005.

The Virginia Housing Development Authority (Authority) (major) manages its interest risk on single and multi-family loan commitments through short sales of investment securities. These transactions meet the requirements for hedge accounting as all hedged items are specifically identified, probable of occurring, and highly correlated to the hedging instrument. The gain or loss from hedging transactions is recorded as an unamortized premium or discount and recognized as an adjustment to yield over the remaining life of the loan. The Authority periodically assesses correlation in order to determine the ongoing appropriateness of hedge accounting. During the year ended June 30, 2005, the Authority experienced a net loss of $2,142,074 from hedging transactions settled during the year. At June 30, 2005, $12,316,968 of short sales was outstanding which had an unrealized loss of $102,610. The Authority's policy is to make adjustments to interest rates of loans related to such hedging transactions to reflect the losses or gains on such hedging transactions.

The University of Virginia (major) from time to time may use, through its investments and through investments in pooled funds, a variety of derivative securities including futures, options, and forward foreign currency contracts. These financial instruments are used to modify market risk exposure. Futures contracts and options on futures contracts are traded on organized exchanges and require collateral or margin in the form of cash or marketable securities. The net change in the futures contract value, if any, is settled with a cash transaction on a daily basis. Holders of futures contracts look to the exchange for performance under the contract and not the entity holding the offsetting futures position. Accordingly, the amount of risk due to non-performance of counterparties to the futures contracts is minimal. Foreign exchange contracts are used to protect the University's portfolio against fluctuations in the values of foreign currencies. The credit risk of forward currency contracts traded over-the-counter lies with the counterparty. Asset swap contracts are privately negotiated agreements between two participants to exchange the return stream derived from their assets to each other without exchanging underlying assets. The University uses asset swaps to gain exposure to certain market sectors in lieu of direct investment. The credit risk lies with the intermediary who arranges the asset swap. The University had no direct exposure to derivative instruments at June 30, 2005.

**Forward, Futures, and Options Contracts**

Forward contracts are contracts to purchase or sell, and futures contracts are contracts to deliver or receive financial instruments, foreign currencies or commodities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange traded) and require initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. In contrast, forward contracts traded over-the-counter are generally negotiated between two counterparties. They are subject to credit risks resulting from nonperformance of one of the counterparties and to market risks resulting from adverse fluctuations in market prices, interest rates, and foreign exchange rates.

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

Forward, futures, and options contracts provide the VRS with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure, and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange traded or are exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates, and foreign exchange rates. At June 30, 2005, the VRS had purchased S & P, Russell Index Treasury Bonds and notes and global indices futures and options with a notional value of $3,997,496,000 and sold Treasury bonds and notes global indices futures and options with a notional value of $1,149,667,000. At June 30, 2005, the VRS had pledged as collateral U.S. Treasury and U.S. Government Agency securities with a total market value of $177,992,000 as the margin requirement for futures contracts.

In addition to unsettled purchases and sales, accounts receivable and accounts payable for security transactions at June 30, 2005, included receivables for deposits with brokers for securities sold short of $1,248,041,000 and payables for securities sold short and not covered with market values of $1,353,204,000.

**Asset-Backed Securities**

Among the instruments with derivative-like characteristics that the VRS invests in and that appear on the financial statements are various asset-backed securities such as collateralized mortgage obligations (CMO), principal-only strips (PO), and interest-only strips (IO). These instruments are used primarily to enhance returns by taking advantage of opportunities available in this sector of the securities markets. CMO securities are bonds collateralized by mortgage-backed securities and issued in several tranches that represent a reallocation of the underlying mortgage-backed securities cash flows. Both PO and IO securities are created by splitting the asset-backed securities into principal-only and interest-only portions. At June 30, 2005, the VRS held CMO securities with a fair market value of $442,404,000, and IO and PO securities with a fair market value of $2,188,000 and ABS with a market value of $531,264,000.

The credit risks on the various asset-backed securities in which the VRS invests are usually very low. Many of the securities held by the VRS are issued by quasi-U.S. governmental agencies. Others are issued by organizations with AAA or AA credit ratings. The market risk of these securities depends on changes in interest rates and the level of the underlying prepayments, i.e., when the mortgagors repay the underlying principal and interest.

**Foreign Exchange Contracts**

Foreign exchange contracts include forward, futures, and options contracts. They involve either the exchange of specific amounts of two currencies or the delivery of a fixed amount of a currency at a future date and specified exchange rate. Forward and futures contracts settle three or more business days from the contract date. Forward contracts are negotiated over-the-counter between two counterparties, while futures contracts are exchange traded. Foreign currency options, which are either negotiated between two counterparties or are exchanged traded, grant the buyer the right, but not the obligation, to purchase or sell at a specified price, a stated amount of an underlying currency at a future date. At June 30, 2005, the VRS had sold foreign currency contracts with a notional value of $7,237,509,000 and had purchased foreign currency contracts with a notional value of $7,222,991,000.

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

**Swap Agreements**

Swaps are negotiated contracts between two counter parties for the exchange of payments at certain intervals over a predetermined time frame. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indices. During fiscal year 2005, the VRS entered into interest rate and total return swaps with a total notional value of $684,638,000. Swaps are used to manage risk and enhance returns. To reduce the risk of counter party non-performance, the VRS generally requires collateral on any material gains from these transactions.

## 6. RECEIVABLES

The following schedule details the accounts, loans, taxes, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2005:

| | Accounts Receivable | Loans Receivable | Taxes Receivable | Other Receivables | Allowance for Doubtful Accounts | Net Accounts Receivable | Amounts to be Collected Greater than One Year |
|---|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | | |
| General | $ 497,020 | $ - | $ 667,196 | $ 11,085 | $ (306,967) | $ 868,334 | $ 18,203 |
| Major Special Revenue Funds: | | | | | | | |
| Commonwealth Transportation | 95,702 | 57,972 | 105,017 | - | (3,254) | 255,437 | 58,263 |
| Federal Trust | 408,787 | 53 | - | - | (8,267) | 400,573 | 1 |
| Literary | 19,031 | 380,539 | - | - | - | 399,570 | 348,118 |
| Nonmajor Governmental Funds | 108,007 | 4 | 224 | 233 | (34,277) | 74,191 | 706 |
| Major Enterprise Funds: | | | | | | | |
| State Lottery | 46,283 | - | - | - | - | 46,283 | - |
| Virginia College Savings Plan (2) | 2,611 | - | - | 306,740 | - | 309,351 | 233,883 |
| Pocahontas Parkway | - | - | - | 777 | - | 777 | - |
| Unemployment Compensation | 131,536 | - | - | - | (23,410) | 108,126 | - |
| Nonmajor Enterprise Funds | 24,099 | - | 2,320 | - | (63) | 26,356 | - |
| Internal Service Funds | 20,074 | - | - | 96 | (15) | 20,155 | - |
| Private Purpose | 3 | - | - | 646 | - | 649 | - |
| Pension Trust (2) | 128,990 | - | - | 2,478,287 | - | 2,607,277 | - |
| Investment Trust Funds | - | - | - | 7,984 | - | 7,984 | - |
| Agency Funds | 275 | - | 57,702 | - | - | 57,977 | 1 |
| **Total Primary Government (1)** | $ 1,482,418 | $ 438,568 | $ 832,459 | $ 2,805,848 | $ (376,253) | $ 5,183,040 | $ 659,175 |
| **Discrete Component Units:** | | | | | | | |
| Virginia Housing Development Authority | $ - | $ 121,468 | $ - | $ 2,058 | $ - | $ 123,526 | $ 118,540 |
| Virginia Public School Authority | - | - | - | 53,281 | - | 53,281 | 53,280 |
| University of Virginia | 307,765 | 21,181 | - | 49,151 | (173,736) | 204,361 | 74,075 |
| Virginia Polytechnic Institute and State University | 39,875 | 15,103 | - | 19,960 | (2,041) | 72,897 | 17,944 |
| Virginia Commonwealth University | 341,659 | 23,331 | - | 32,415 | (250,458) | 146,947 | 29,068 |
| Nonmajor Component Units | 116,445 | 1,803,027 | 3,956 | 105,959 | (7,605) | 2,021,782 | 1,785,129 |
| **Total Component Units** | $ 805,744 | $ 1,984,110 | $ 3,956 | $ 262,824 | $ (433,840) | $ 2,622,794 | $ 2,078,036 |

Note (1): Fiduciary net receivables in the amount of $2,673,887 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Note (2): The Other Receivables amount for Pension Trust includes deposits for pending security transactions and the Other Receivables amount for Virginia College Savings Plan represents tuition contributions receivable.

## 7. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for Foundations[1] included with the major component units, and aggregated nonmajor component units, as of June 30, 2005:

*(Dollars in Thousands)*

| | Due in Less Than One Year | Due Between One and Five Years | Due in More Than Five Years | Subtotal | Present Value Discount (2) | Allowance for Doubtful Accounts | Contributions Receivable, Net |
|---|---|---|---|---|---|---|---|
| **Discrete Component Units:** | | | | | | | |
| University of Virginia | $ 36,620 | $ 53,301 | $ 12,627 | $ 102,548 | $ (8,665) | $ (8,812) | $ 85,071 |
| Virginia Polytechnic Institute & State University | 16,705 | 21,252 | 5,267 | 43,224 | (3,067) | (1,669) | 38,488 |
| Virginia Commonwealth University | 10,610 | 19,565 | 4,134 | 34,309 | (2,774) | (866) | 30,669 |
| Nonmajor Component Units | 37,699 | 86,721 | 20,065 | 144,485 | (19,802) | (9,393) | 115,290 |
| **Total Component Units** | $ 101,634 | $ 180,839 | $ 42,093 | $ 324,566 | $ (34,308) | $ (20,740) | $ 269,518 |

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.
Note (2): The discount rate used to determine present value ranges from 1.13 percent to 10.0 percent.

## 8. INTERFUND ASSETS/LIABILITIES

### Due from/to Other Funds

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

Included in the category Due from Other Funds are *"Due from Other Funds and Primary Government"* and *"Due from Component Units."* Included in the category Due to Other Funds are *"Due to Other Funds and Primary Government"* and *"Due to Component Units."* The following schedule shows the Due from/to Other Funds as of June 30, 2005.

**Schedule of Due from/to Other Funds**
June 30, 2005

*(Dollars in Thousands)*

| Due From | Amount | Due To | Amount |
|---|---|---|---|
| **Primary Government** | | **Primary Government** | |
| General Fund | $ 8,128 | Major Enterprise Funds: | |
| | | State Lottery | $ 21 |
| | | Nonmajor Enterprise Funds | 8,107 |
| Major Special Revenue Funds: | | | |
| Commonwealth Transportation | 28,603 | General Fund | 26,204 |
| | | Nonmajor Enterprise Funds | 2,399 |
| Federal Trust | 10,289 | General Fund | 2,083 |
| | | Nonmajor Governmental Funds | 8,206 |
| Nonmajor Governmental Funds | 7,545 | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 7,233 |
| | | Nonmajor Governmental Funds | 27 |
| | | Major Enterprise Funds: | |
| | | Unemployment Compensation | 285 |
| Major Enterprise Funds: | | | |
| Unemployment Compensation | 459 | General Fund | 225 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 42 |
| | | Federal Trust | 97 |
| | | Nonmajor Governmental Funds | 55 |
| | | Major Enterprise Funds: | |
| | | State Lottery | 30 |
| | | Nonmajor Enterprise Funds | 10 |
| Internal Service Funds | 39,648 | General Fund | 18,294 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 8,146 |
| | | Federal Trust | 6,938 |
| | | Nonmajor Governmental Funds | 4,853 |
| | | Major Enterprise Funds: | |
| | | State Lottery | 149 |
| | | Nonmajor Enterprise Funds | 801 |
| | | Internal Service Funds | 467 |
| Pension Trust | 15,465 | Pension Trust | 15,465 |
| Total Primary Government | 110,137 | | 110,137 |

*Continued on next page*

Note: The above schedule does not include $21.1 million due to the Commonwealth Transportation Fund from Pocahontas Parkway that will not be repaid within one year.

**Schedule of Due from/to Other Funds**
June 30, 2005
*(continued)*

*(Dollars in Thousands)*

| Due From | Amount | Due To | Amount |
|---|---|---|---|
| **Component Units** | | **Primary Government** | |
| University of Virginia | 2,193 | Nonmajor Governmental Funds | 2,193 |
| Virginia Polytechnic Institute & State University | 8,124 | **Primary Government** | |
| | | Nonmajor Governmental Funds | 165 |
| | | **Component Units** | |
| | | Nonmajor Component Units | 7,959 |
| Virginia Commonwealth University | 6,144 | **Primary Government** | |
| | | Nonmajor Governmental Funds | 124 |
| | | **Component Units** | |
| | | Nonmajor Component Units | 6,020 |
| Nonmajor Component Units | 23,354 | **Primary Government** | |
| | | Nonmajor Governmental Funds | 12,682 |
| | | **Component Units** | |
| | | Nonmajor Component Units | 10,672 |
| Total Component Units | 39,815 | | 39,815 |
| Total | $ 149,952 | | $ 149,952 |

## Interfund Receivables/Payables

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

The following schedule shows the Interfund Receivables/Payables for the Primary Government as of June 30, 2005. There were no Interfund Receivables/Payables for the Component Units as of June 30, 2005.

**Interfund Receivables/Payables**
June 30, 2005

*(Dollars in Thousands)*

| Receivable From: | Amount | Payable To: | Amount |
|---|---|---|---|
| **Primary Government** | | **Primary Government** | |
| Nonmajor Governmental Funds | $ 70,019 | Major Special Revenue Funds: | |
| | | Federal Trust | $ 4,485 |
| | | Major Enterprise Funds: | |
| | | State Lottery Department | 15,000 |
| | | Nonmajor Governmental Funds | 3,350 |
| | | Nonmajor Enterprise Funds | 38,965 |
| | | Internal Service | 8,219 |
| **Total** | $ 70,019 | **Total** | $ 70,019 |

**Loans Receivable/Payable Between Primary Government and Component Units**

The $13.6 million in Loans Receivable from Component Units represents loans from the Special Revenue Fund to Higher Education (Component Unit). The Virginia Commonwealth University (Major Component Unit) loan of $2.6 million and the College of William and Mary (Nonmajor Component Unit) loan of $.8 million were used to fund programs until bonds were issued. George Mason University's (Nonmajor Component Unit) loan of $8.5 million and the Virginia Community College System's (Nonmajor Component Unit) loan of $.7 million were used to advance fund federally-funded grant programs. Longwood University's (Nonmajor Component Unit) loan of $1.0 million will be used for the University's housing sprinkler project.

The $168.3 million in Loans Receivable from Primary Government represents loans from the VPSA to the Literary Fund. The VPSA makes grants to local school divisions to finance the purchase of educational technology equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund.

## 9. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2005:

*(Dollars in Thousands)*

| | Cash and Travel Advances | Unamortized Bond Issuance Expense | Other Assets | Total Other Assets |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| General | $ 1,479 | $ - | $ - | $ 1,479 |
| Major Special Revenue Funds: | | | | |
| Commonwealth Transportation | 870 | - | 1,846 | 2,716 |
| Federal Trust | 1,658 | - | - | 1,658 |
| Nonmajor Governmental Funds | 939 | - | 259 | 1,198 |
| Major Enterprise Funds: | | | | |
| State Lottery | 3 | - | - | 3 |
| Pocahontas Parkway | - | 5,120 | - | 5,120 |
| Nonmajor Enterprise Funds | 218 | - | - | 218 |
| Internal Service Funds | 1,039 | - | - | 1,039 |
| Investment Trust Funds | - | - | 9,140 | 9,140 |
| Agency Funds | - | - | 1,610 | 1,610 |
| Total Primary Government (1) | $ 6,206 | $ 5,120 | $ 12,855 | $ 24,181 |
| **Discrete Component Units:** | | | | |
| Virginia Housing Development Authority | $ - | $ - | $ 5,236 | $ 5,236 |
| University of Virginia | 757 | - | 24,454 | 25,211 |
| Virginia Polytechnic Institute and State University | - | 254 | 2,605 | 2,859 |
| Virginia Commonwealth University | 358 | 2,700 | 7,547 | 10,605 |
| Nonmajor Component Units | 540 | 5,096 | 23,018 | 28,654 |
| Total Component Units | $ 1,655 | $ 8,050 | $ 62,860 | $ 72,565 |

Note (1): Other Fiduciary assets in the amount of $10,750 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

## 10. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Virginia Housing Development Authority (Major Component Unit) reported restricted assets totaling $6.1 billion (of which $9.3 million is reported as Depreciable Capital Assets, net). The Virginia Public School Authority (Major Component Unit) reported restricted assets of $81.4 million. Both Major Component Unit's assets are restricted for debt service under a bond indenture agreement or other agreements. The Virginia Port Authority (Nonmajor Component Unit) reported restricted assets of $142.8 million. Of this amount $70.3 million is assets placed in escrow account for a construction project, $18.8 million for debt service under a bond indenture agreement, and $25.6 million for other bond service projects, and 28.1 million reserved as part of the Port Facility Revenue Bond requirement. The Virginia Resources Authority (Nonmajor Component Unit) reported restricted assets of $61.5 million. Of this amount $50.7 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds. $5.1 million is restricted for the Operating Reserve Fund for the newly structured Virginia Pooled Financing Program. The Tobacco Indemnification and Community Revitalization Commission (Nonmajor Component Unit) reported restricted assets of 390.2 million. The Higher Education Institutions (Component Units) reported restricted assets totaling approximately $2.6 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $2.1 billion of Foundations' restricted assets. The two museum foundations, the Virginia Museum of Fine Arts Foundation (Nonmajor Component Unit) and the Science Museum of Virginia Foundation (Nonmajor Component Unit) had restricted assets of $152.9 million and $11 million, respectively, primarily for donor-imposed restricted endowments. The remaining $16.7 million is spread among the Hampton Roads Sanitation District Commission (Nonmajor Component Unit), the Virginia Equine Center (Nonmajor Component Unit), the Small Business Financing Authority (Nonmajor Component Unit), and the Library of Virginia Foundation (Nonmajor Component Unit).

## 11. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets:

**Schedule of Changes in Capital Assets**

**Governmental Activities**

*(Dollars in Thousands)*

| | Balance July 1, as restated | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets:** | | | | |
| Land | $ 1,452,614 | $ 174,566 | $ (51,344) | $ 1,575,836 |
| Construction in Progress | 2,693,041 | 1,388,644 | (1,334,131) | 2,747,554 |
| Total Nondepreciable Capital Assets | 4,145,655 | 1,563,210 | (1,385,475) | 4,323,390 |
| **Depreciable Capital Assets:** | | | | |
| Buildings | 2,127,174 | 33,360 | (3,017) | 2,157,517 |
| Equipment | 583,708 | 87,216 | (73,372) | 597,552 |
| Infrastructure | 16,601,161 | 1,327,700 | (265,392) | 17,663,469 |
| Total Capital Assets being Depreciated | 19,312,043 | 1,448,276 | (341,781) | 20,418,538 |
| **Less Accumulated Depreciation for:** | | | | |
| Buildings | 729,096 | 54,907 | (1,172) | 782,831 |
| Equipment | 351,020 | 41,910 | (54,937) | 337,993 |
| Infrastructure | 8,409,522 | 392,480 | (11,413) | 8,790,589 |
| Total Accumulated Depreciation | 9,489,638 | 489,297 | (67,522) | 9,911,413 |
| Total Depreciable Capital Assets, Net | 9,822,405 | 958,979 | (274,259) | 10,507,125 |
| Total Capital Assets, Net | $ 13,968,060 | $ 2,522,189 | $ (1,659,734) | $ 14,830,515 |

Note: Beginning balances have been restated by $49,622 (dollars in thousands) due to prior year errors, as discussed in Note 2.

**Depreciation Expense Charged to Functions of the Primary Government**
June 30, 2005

*(Dollars in Thousands)*

| | |
|---|---|
| Governmental Activities: | |
| General Government | $ 9,223 |
| Education | 4,564 |
| Transportation | 406,726 |
| Resources and Economic Development | 8,141 |
| Individual and Family Services | 11,370 |
| Administration of Justice | 32,378 |
| Capital Assets held by the Internal Service Funds are charged to various functions | 16,895 |
| Total | $ 489,297 |

**Schedule of Changes in Capital Assets**

**Business-type Activities**

*(Dollars in Thousands)*

| | Balance July 1, as restated | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets:** | | | | |
| Land | $ 16,412 | $ - | $ - | $ 16,412 |
| Construction in Progress | 5,497 | 6,708 | (6,313) | 5,892 |
| Total Nondepreciable Capital Assets | 21,909 | 6,708 | (6,313) | 22,304 |
| **Depreciable Capital Assets:** | | | | |
| Buildings | 10,752 | 6,313 | - | 17,065 |
| Equipment | 78,475 | 3,114 | (5,940) | 75,649 |
| Infrastructure | 314,737 | - | - | 314,737 |
| Total Capital Assets being Depreciated | 403,964 | 9,427 | (5,940) | 407,451 |
| **Less Accumulated Depreciation for:** | | | | |
| Buildings | 9,786 | 136 | (1) | 9,921 |
| Equipment | 46,825 | 9,589 | (5,864) | 50,550 |
| Infrastructure | 19,292 | 10,552 | - | 29,844 |
| Total Accumulated Depreciation | 75,903 | 20,277 | (5,865) | 90,315 |
| Total Depreciable Capital Assets, Net | 328,061 | (10,850) | (75) | 317,136 |
| Total Capital Assets, Net | $ 349,970 | $ (4,142) | $ (6,388) | $ 339,440 |

Note: Beginning balances have been restated by $5,497 (dollars in thousands) due to prior year errors, as discussed in Note 2.

**Schedule of Changes in Capital Assets**

**Component Units**

*(Dollars in Thousands)*

| | Balance July 1, as restated | Increases | Decreases | Subtotal June 30 | Foundations (1) | Total June 30 |
|---|---|---|---|---|---|---|
| **Nondepreciable Capital Assets:** | | | | | | |
| Land | $ 359,808 | $ 6,739 | $ (2,368) | $ 364,179 | $ 109,735 | $ 473,914 |
| Construction in Progress | 835,398 | 701,426 | (432,116) | 1,104,708 | 82,223 | 1,186,931 |
| Inexhaustible Works of Art / Historical Treasures | 70,042 | 982 | - | 71,024 | 12,632 | 83,656 |
| Livestock | 951 | - | (190) | 761 | 2,396 | 3,157 |
| Total Nondepreciable Capital Assets | 1,266,199 | 709,147 | (434,674) | 1,540,672 | 206,986 | 1,747,658 |
| **Depreciable Capital Assets:** | | | | | | |
| Buildings | 5,002,525 | 338,211 | (15,092) | 5,325,644 | 488,094 | 5,813,738 |
| Infrastructure | 1,452,840 | 102,608 | (29,150) | 1,526,298 | 357 | 1,526,655 |
| Equipment | 1,890,464 | 242,302 | (122,371) | 2,010,395 | 82,153 | 2,092,548 |
| Improvements Other Than Buildings | 291,956 | 10,410 | (390) | 301,976 | 12,484 | 314,460 |
| Library Books | 558,650 | 26,297 | (8,202) | 576,745 | - | 576,745 |
| Total Capital Assets being Depreciated | 9,196,435 | 719,828 | (175,205) | 9,741,058 | 583,088 | 10,324,146 |
| **Less Accumulated Depreciation for:** | | | | | | |
| Buildings | 1,896,201 | 146,850 | (1,671) | 2,041,380 | 96,375 | 2,137,755 |
| Infrastructure | 792,441 | 45,317 | (18,140) | 819,618 | 303 | 819,921 |
| Equipment | 1,211,100 | 164,422 | (100,863) | 1,274,659 | 58,632 | 1,333,291 |
| Improvements Other Than Buildings | 132,268 | 13,422 | (447) | 145,243 | 6,475 | 151,718 |
| Library Books | 443,590 | 25,607 | (8,197) | 461,000 | - | 461,000 |
| Total Accumulated Depreciation | 4,475,600 | 395,618 | (129,318) | 4,741,900 | 161,785 | 4,903,685 |
| Total Depreciable Capital Assets, Net | 4,720,835 | 324,210 | (45,887) | 4,999,158 | 421,303 | 5,420,461 |
| Total Capital Assets, Net | $ 5,987,034 | $ 1,033,357 | $ (480,561) | $ 6,539,830 | $ 628,289 | $ 7,168,119 |

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

Beginning balances have been restated due to reclassifications and corrections of prior year errors. The following schedule is a summary of the restatement amounts.

**Capital Asset Restatement - Component Units**

*(Dollars in Thousands)*

| | Balance July 1 Increase/(Decrease) |
|---|---|
| Nondepreciable Capital Assets: | |
| Construction in Progress | $ (27,951) |
| Total Nondepreciable Capital Assets | (27,951) |
| Depreciable Capital Assets: | |
| Buildings | 35,616 |
| Infrastructure | 83,914 |
| Improvements Other Than Buildings | (59,473) |
| Total Capital Assets being Depreciated | 60,057 |
| Less Accumulated Depreciation for: | |
| Buildings | (53) |
| Infrastructure | 68,314 |
| Improvements Other Than Buildings | (57,629) |
| Total Accumulated Depreciation | 10,632 |
| Total Depreciable Capital Assets, Net | 49,425 |
| Total Capital Assets, Net | $ 21,474 |

## 12. RETIREMENT AND PENSION SYSTEMS

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

### A. Plan Description

The Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer retirement plan, provides defined benefit pension plan coverage for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The assets accumulated by the plan may legally be used to pay all benefits provided by the plan to any of the plan members or beneficiaries. At June 30, 2005, the VRS had 798 contributing employers. The State Police Officers' Retirement System (SPORS), the Judicial Retirement System (JRS), and the Virginia Law Officers' Retirement System (VaLORS) are single-employer defined benefit retirement plans. The SPORS provides retirement benefits to Virginia state police officers, the JRS provides retirement benefits to the Commonwealth's judiciary, and the

VaLORS provides benefits to law enforcement and correctional officers other than state police officers. All retirement systems are administered by the VRS, an independent agency of the Commonwealth.

Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*. All full-time, salaried, permanent employees of the Commonwealth, with the exception of certain full–time faculty and administrative staff of higher education institutions and eligible employees of the Commonwealth's teaching hospitals who have the option not to participate in the VRS, must participate in the VRS, SPORS, JRS, or VaLORS. Benefits vest after five years of service.

Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating law enforcement officers) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating law enforcement officers). Employees may retire with a reduced benefit at age 50 with at least ten years of credited service or at age 55 (age 50 for participating law enforcement officers) with at least five years of credited service.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. AFS 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. Members of the SPORS and VaLORS may receive a monthly benefit supplement if they retire prior to age 65. Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 percent to 2.0 percent instead of receiving the supplement. Members of VaLORS hired after June 30, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement. Members of the JRS receive weighted years of creditable service for each year of actual service under JRS. The VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. These benefit provisions and all other requirements are established by State statute.

## B. Summary of Significant Accounting Policies

### Basis of Accounting

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

### Method Used to Value Investment

Investments are reported at fair value as determined by the VRS master custodian, Mellon Trust, from its Global Pricing System. This system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

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

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

The retirement plans have no concentrations of investments in any one organization that represent 5 percent or more of plan net assets available for benefits.

## C. Funding Policy

Employer and employee contributions are required by Title 51.1 of the *Code of Virginia.* The Commonwealth pays the 5 percent of employees' annual salaries that employees are required to contribute to the retirement system.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2003. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 3.91 percent, 16.49 percent, 16.99 percent, and 30.55 percent, respectively, of covered payrolls.

## D. Annual Pension Cost and Net Pension Obligation

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

| | VRS | | | SPORS | | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| Annual required contribution | $ 156,313 | $ 156,192 | $ 145,138 | $ 25,891 | $ 23,031 | $ 21,791 |
| Interest on net pension obligation | 43,427 | 39,209 | 27,322 | 4,326 | 3,266 | 2,203 |
| Adjustment to annual required contribution | (39,694) | (34,269) | (23,880) | (3,945) | (2,854) | (1,925) |
| Annual pension cost | 160,046 | 161,132 | 148,580 | 26,272 | 23,443 | 22,069 |
| Contributions made | (117,225) | (108,412) | - | (14,475) | (10,328) | (8,781) |
| Increase in net pension obligation | 42,821 | 52,720 | 148,580 | 11,797 | 13,115 | 13,288 |
| Net pension obligation, beginning of year, as restated | 542,840 | 490,120 | 341,532 | 53,941 | 40,826 | 27,538 |
| Net pension obligation, end of year | $ 585,661 | $ 542,840 | $ 490,112 | $ 65,738 | $ 53,941 | $ 40,826 |
| Percentage of annual pension cost contributed | 73.2% | 67.3% | 0.0% | 55.1% | 44.1% | 39.8% |

| | JRS | | | VaLORS | | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| Annual required contribution | $ 24,943 | $ 23,114 | $ 22,266 | $ 84,353 | $ 79,569 | $ 76,564 |
| Interest on net pension obligation | 2,683 | 2,029 | 1,322 | 10,997 | 7,801 | 4,423 |
| Adjustment to annual required contribution | (2,452) | (1,773) | (1,156) | (10,052) | (6,818) | (3,865) |
| Annual pension cost | 25,174 | 23,370 | 22,432 | 85,298 | 80,552 | 77,122 |
| Contributions made | (15,269) | (15,190) | (13,604) | (50,495) | (40,596) | (34,895) |
| Increase in net pension obligation | 9,905 | 8,180 | 8,828 | 34,803 | 39,956 | 42,227 |
| Net pension obligation, beginning of year | 33,539 | 25,359 | 16,531 | 137,467 | 97,511 | 55,284 |
| Net pension obligation, end of year | $ 43,444 | $ 33,539 | $ 25,359 | $ 172,270 | $ 137,467 | $ 97,511 |
| Percentage of annual pension cost contributed | 60.7% | 65.0% | 60.6% | 59.2% | 50.4% | 45.2% |

The VRS pension liability for the Virginia Economic Development Partnership (VEDP) (Component Unit), the Virginia Tourism Authority (VTA) (Component Unit), and the Virginia Outdoors Foundation (VOF) (Component Unit) are reported in the financial statements. However, since the Commonwealth is not considered the employer for VEDP, VTA, or VOF, the Commonwealth's net pension obligation shown above at the end of the year does not include VEDP's pension liability of $1.4 million, VTA's pension liability of $354,204, or VOF's pension liability of $6,476.

The most recent actuarial valuations were conducted as of June 30, 2003. The valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 8.00 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 4.00 percent to 6.30 percent, including a 3.00 percent inflation component; and (c) 3.00 percent per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining closed amortization period at June 30, 2005, was 23 years or less.

### E. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the Deferred Contribution Plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the Great West Company. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's (3.91 percent) and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2005, the total contributions to this plan were $676,100.

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

### F. Higher Education Fund (Component Unit)

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

In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in an optional retirement annuity program, rather than the VRS. Optional Retirement Plans are authorized by the *Code of Virginia* and provide retirement and death benefits. The optional retirement annuity programs are offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, Variable Annuity Life Insurance Company (VALIC), Fidelity Investments, Inc., Great West Life, Inc., T. Rowe Price, Inc., Metropolitan Life and Vanguard. These are defined contribution programs where the retirement benefits received are based upon the Commonwealth's (5.4 percent) and employees' (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2005, the total contributions to these plans were:

| | | |
|---|---|---|
| TIAA-CREF | $ | 73,253,025 |
| VALIC | | 2,106,529 |
| Fidelity Investments | | 30,695,670 |
| Great West Life | | 78,967 |
| T. Rowe Price | | 269,570 |
| Vanguard | | 1,350,922 |
| Total | $ | 107,754,683 |

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – Major) contributes to the VRS. The VRS issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the Plan). All employees, excluding house staff, working at least 20 hours per week in a benefit eligible position are eligible to participate in the Plan. Per the Plan document as approved by the Authority's Board of Directors, the Authority contributes up to 10.0 percent of the participant's salary to the Plan not to exceed the lesser of (a) the amount in accordance with Code 415(d), or (b) 100 percent of the participant's compensation for such limitation year. Total contributions for the year ended June 30, 2005, were approximately $8,217,000. The Authority has the right at anytime, and without the consent of any party, to terminate the Plan in its entirety. The Authority's Board of Directors must approve any changes to the provisions of the Plan, including the contribution requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP Plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week were eligible to participate in the HCP Plan. At June 30, 2005, there were six actively employed participants in the HCP Plan. Total contributions to the HCP Plan for the year ended June 30, 2005, were approximately $30,400.

Previously, the Medical College of Virginia Associated Physicians (MCVAP) (a Component Unit of the Authority) sponsored the MCVAP 403(b) Retirement Fund (the 403(b) Plan), a defined contribution plan which covered substantially all non-medical employees of MCVAP. As of

January 1, 2002, no additional contributions were made to this Plan.

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) Plan), a noncontributory, defined contribution plan which covers substantially all benefit eligible clinical providers of MCVAP. Contributions to the 401(a) Plan, as determined annually at the discretion of the Board of Directors were approximately $5,288,000 for the year ended June 30, 2005.

MCVAP also sponsors the VCUHS 401(a) Retirement Plan a defined contribution plan which covers all non-medical employees of MCVP and the VCUHS 457(b) Retirement Plan, a salary reduction plan that represents employee contributions. These plans became effective on January 1, 2002, and replaced the MCVAP 403 (b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2005, were approximately $2,210,000.

VA Premier (a Component Unit of the Authority) adopted a 401(k) plan sponsored by Prudential Mutual Fund Management, Inc. Employees may enter into the plan on the first day of the month coinciding with or following the date on which the employee begins employment. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute 1 percent to 15 percent of their compensation. VA Premier will match 50 percent of the employees' contributions up to 4 percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes 3 percent of the employee's compensation after each bi-weekly payroll effective when the employee begins employment. Employees are fully vested after four years of service in which the employees have at least 1,000 hours of service each year. The total expense to VA Premier in fiscal year 2005 was approximately $463,000.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 112 faculty members have elected to enroll in the plan. As of June 30, 2005, 44 participants remain, including 3 new participants who retired under this plan during fiscal year 2005. In order to satisfy IRS requirements, a trust fund has been established as means to make the payments to the plan participants. The University prepaid the entire fiscal year 2006 plan contribution of $885,277 in fiscal year 2005.

The Innovative Technology Authority (ITA) (nonmajor) has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Pension contributions for the plan totaled $403,425 in fiscal year 2005.

## G. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Historic Preservation Foundation (Blended - Primary Government), the Virginia Public Building Authority (Blended - Primary Government), the Virginia Public School Authority (major), the Virginia College Building Authority (nonmajor), the Virginia State Parks Foundation (Blended - Primary Government), the Virginia Schools for the Deaf and Blind Foundation (nonmajor), and the Pocahontas Parkway Association (Blended - Primary Government) have no employees. The Virginia Economic Development Partnership, the Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Park Authority, the A. L. Philpott Manufacturing Extension Partnership, the Virginia Outdoors Foundation, the Virginia Tourism Authority, the Tobacco Indemnification and Community Revitalization Commission, the Virginia Tobacco Settlement Foundation, the Virginia Land Conservation Foundation, the Virginia Arts Foundation, and the Library of Virginia Foundation (all nonmajor) contribute solely to the VRS, a mixed agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to 8.0 percent of full-time employees' compensation. Total retirement savings expense under this plan was $1,453,215 in fiscal year 2005.

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

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

**Trend Information**

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Service cost - benefits earned during the year | $ 1,642,100 | $ 1,156,600 | $ 987,000 |
| Interest cost on projected benefit obligation | 2,653,000 | 2,260,700 | 2,144,000 |
| Expected return on assets | (2,972,100) | (2,675,000) | (2,429,000) |
| Net amortization and deferral | 643,600 | 151,300 | 76,400 |
| Annual pension cost | 1,966,600 | 893,600 | 778,400 |
| Contributions made | (1,104,900) | (1,299,000) | (2,916,100) |
| Increase in prepaid pension obligation | 861,700 | (405,400) | (2,137,700) |
| Prepaid pension obligation, beginning of year | (8,167,800) | (7,762,400) | (5,624,700) |
| Prepaid pension obligation, end of year | $ (7,306,100) | $ (8,167,800) | $ (7,762,400) |

The annual pension cost for the current year was determined as part of the September 30, 2003, actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. The discount rate used in determining the actuarial present value of projected benefit obligation was 6.75 percent in fiscal year 2005, 7.5 percent in fiscal year 2004, and 8.0 percent in fiscal year 2003. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.0 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2005, 2004, and 2003.

**Trend Information**

| Fiscal Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Prepaid Pension Obligation |
|---|---|---|---|
| 2005 | $ 1,966,600 | 56 % | $ (7,306,100) |
| 2004 | $ 893,600 | 145 % | $ (8,167,800) |
| 2003 | $ 778,400 | 375 % | $ (7,762,400) |

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

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

**Trend Information**

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Service cost - benefits earned during the year | $ 329,902 | $ 348,524 | $ 197,071 |
| Interest cost on projected benefit obligation | 157,419 | 138,803 | 111,771 |
| Expected return on assets | (107,220) | (167,011) | (36,821) |
| Net amortization and deferral | 83,198 | 183,283 | 87,904 |
| Annual pension cost | 463,299 | 503,599 | 359,925 |
| Contributions made | (506,915) | (149,822) | (802,299) |
| Additional minimum liability | 945,384 | (435,518) | 158,952 |
| Increase in pension obligation | 901,768 | (81,741) | (283,422) |
| Pension obligation, beginning of year | 502,017 | 583,758 | 867,180 |
| Pension obligation, end of year | $ 1,403,785 | $ 502,017 | $ 583,758 |

The annual pension cost for the current year was determined as part of the August 2005 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Actual value of assets was determined using market value. The discount rate used in determining the actuarial present value of the projected benefit obligation was 5.3 percent in 2005, 6.3 percent in 2004, and 6.0 percent in 2003. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.0 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2005, 2004, and 2003.

**Trend Information**

| Fiscal Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Prepaid Pension Obligation |
|---|---|---|---|
| 2005 | $ 463,299 | 109 % | $ 1,403,785 |
| 2004 | $ 503,599 | 30 % | $ 502,017 |
| 2003 | $ 359,925 | 223 % | $ 583,758 |

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The Authority's current policy is not to fund the costs of these plans. The plans had assets of $1,838,656 and an accrued liability of $2,132,829.

As of January 1, 2005, The Virginia Resources Authority began mandatory participation for all new employees and optional participation for then-current employees who chose to enroll in the VRS. The Authority continues to sponsor a retirement savings plan for the employees noted above who elected to defer participation in the VRS, whereby 12 percent of eligible employees' salary is contributed on an annual basis. For the year ended June 30, 2005, VRS retirement expense was $27,876 and total retirement savings expense was $54,358, a portion of which is reimbursed.

The Virginia Equine Center Foundation has a defined contribution plan which covers all full-time employees of the Foundation who have one year of service and are age twenty-one or older. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the plan are discretionary and the Foundation will determine the amount to contribute to the plan each year. No contributions were made on behalf of the employees for the fiscal year ended June 30, 2005.

## 13. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in three other employment benefit plans, Group Life Insurance, Retiree Health Insurance Credit, and Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (VRS). The VRS administers a fourth other employment benefit plan, the Volunteer Firefighters' and Rescue Squad Workers' Fund, in which the Commonwealth does not participate, but may provide funding. The significant accounting policies for all four plans are the same as those described in Note 12 for pension plans. A separately issued financial report that includes financial statements for Group Life Insurance, Retiree Health Insurance Credit, and Virginia Sickness and Disability Program is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

**Group Life Insurance**

The Group Life Insurance Plan provides life insurance benefits for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, State police officers, judges, and other qualifying employees. In fiscal year 2005 there were approximately 340,251 Commonwealth employees and 112,346 retirees in the program.

As part of this plan, the Commonwealth provides life insurance benefits for retired employees in accordance with Title 51.1 of the *Code of Virginia*. To be eligible, the employee must have retired or terminated employment after age 50 and have had at least ten years of service (including five years of continuous service) or at age 55 and have had five years of continuous service (age 50 for participating law enforcement officers, firefighters of political subdivisions, and judges) 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.

Postemployment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method. Rates were determined in a June 30, 2001, actuarial valuation using the same actuarial assumptions used for determining pension plan contribution rates. The modified market value of plan assets was used for valuation purposes. Retirees are not required to contribute to the group life plan. The Commonwealth's actuarially required contribution rate for the current year was 1.14 percent of payroll. This contribution covers premiums for active employees and actual death claims for retirees.

The accrued liabilities for postemployment death benefits actuarially determined through an actuarial valuation performed as of June 30, 2004, were $1,802.0 million. The actuarial value of the program's assets available for benefits on that date was $834.3 million, leaving a present value of future contributions of $967.7 million.

**Retiree Health Insurance Credit**

The Retiree Health Insurance Credit Plan provides health insurance credits against the monthly health insurance premiums for retired Commonwealth employees, State police officers, and judges with at least 15 years of creditable service on the current disbursement basis. Benefit provisions and eligibility requirements are established by Title 51.1-1400 of the *Code of Virginia*. Approximately 69,114 Commonwealth retirees were receiving health insurance credits at June 30, 2005.

The monthly credit amounts to $4.00 per year of service not to exceed a maximum allowance of $120.00. The contribution rate was determined as part of the June 30, 2001, actuarial valuation that determined the pension plan contribution rates. The Commonwealth's actuarially required contribution rate for "full funding" and "pay-as-you-go" would have been 1.79 and 1.19 percent of payroll, respectively, for the current year; however, contributions were paid at 1.04 percent of payroll. The Commonwealth recognized Retiree Health Insurance Credit expenses of $68.9 million during the fiscal year ended June 30, 2005.

**Virginia Sickness and Disability Program**

The Virginia Retirement System (VRS) administers the Virginia Sickness and Disability Program (VSDP) to provide income protection for absences due to sickness or disability from the first day on the job. After a seven calendar-day waiting period following the first incident of disability, eligible employees receive short-term disability benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 work days, based upon months of Commonwealth service. After a 180 calendar-day waiting period (125 work days of short-term disability), eligible employees receive long-term disability benefits equal to 60 percent of compensation until they return to work, until age 65 (age 60 for State police officers), or until death.

The VSDP was established on January 1, 1999, for all full-time, classified Commonwealth employees, including State police officers and other State law enforcement and corrections officers, hired on or after January 1, 1999. Part-time, classified employees who work at least 20 hours a week on a salaried basis and who accrue leave are also covered. Eligible Commonwealth employees and State police officers of the Commonwealth employed prior to January 1, 1999, had the option to elect to participate in the VSDP or to remain in the Commonwealth's existing disability retirement and sick leave program (see Notes 12 and 16). Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers Retirement System (VaLORS).

Faculty of Virginia institutions of higher education hired or appointed on or after January 1, 1999, who elected the VRS as their retirement plan, must make an irrevocable election to participate in the VSDP or in the institution's disability program. If there is no institution program, the faculty is covered under this program.

All Commonwealth agencies are required to contribute to the cost of providing long-term disability benefits. Initial contribution requirements to fund the program were determined by the VRS actuary based on an estimate of the amount of the liability for disability benefits that would transfer from the VRS and SPORS to the VSDP for the anticipated new participants in the VSDP. This contribution requirement was 1.65 percent of payroll for Commonwealth employees, State police officers and VaLORS employees during the fiscal year. The Commonwealth recognized long-term disability expenses of $25.8 million during the fiscal year. As of June 30, 2005, there were approximately 67,567 participants.

**Volunteer Firefighters' and Rescue Squad Workers' Fund**

Volunteer firefighters and rescue squad workers may participate in an optional postemployment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the VRS manages the

investments of the Fund as custodian. Members of the plan contribute $30 per quarter. The Commonwealth will contribute an amount determined by the Board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed twenty years. For fiscal year 2005, $78,000 was appropriated. At June 30, 2005, there were 1,091 workers participating in the Fund.

## 14. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Virginia Retirement System (VRS) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The VRS contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliations, and record keeping associated with State employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the VRS for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the VRS has no fiduciary relationship with plan participants, plan assets of $728.5 million are not included in the financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan who have been employed at least one year. The match amount for an employee was established at 50 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was $20 per pay period or $40 per month. The fair value of assets in the cash match savings plan at June 30, 2005, was $73.4 million, which is also excluded from the financial statements.

The Virginia Housing Development Authority (Major Component Unit) and the Virginia Resources Authority (Nonmajor Component Unit) have a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457. The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the financial statements.

The Virginia Port Authority (VPA) (Nonmajor Component Unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under the Deferred Compensation Plan administered by the VRS as discussed above. The VPA deferred compensation plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority's deferred compensation plan. The VPA also offers a matching savings plan that covers substantially all employees. The matching savings plan requires the VPA to match contributions in an amount equal to 50 percent of the first 6 percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was $112,835 for the fiscal year ended June 30, 2005. Further, the right to modify, alter, amend, or terminate the deferred compensation plan and matching savings plan rests with the VPA Board of Commissioners.

The third deferred compensation plan and second matching savings plan covers substantially all nonunion employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to 50 percent of the first 3 percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was $288,913 for the fiscal year ended June 30, 2005.

The Hampton Road Sanitation District's (the District) Commission adopted a post-retirement health benefit for qualifying employees beginning after July 1, 2002. The program furnishes health and dental benefits for life for all employees with at least 15 years of service and who also qualify for an unreduced retirement benefit through the Virginia Retirement System. The program allows the retiree at their expense to cover their spouse and dependent under the District's health care provider. The District funded the estimated prior service cost of approximately $7,000,000 in a separate trust established for this purpose from the sale of land and additional designated revenue. For the year ended June 30, 2005, the estimated ongoing annual required contribution is approximately $500,000, and is funded through operations. The fair market value of the Trust as of June 30, 2005, was $8,577,578.

## 15. COMMITMENTS

### A. Construction Projects

#### Highway Projects

At June 30, 2005, the Department of Transportation (Primary Government) had contractual commitments of approximately $1,705.3 million for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) Federal Funds – approximately 20.2 percent or $344.0 million, (2) State Funds – approximately 75.7 percent or $1,291.5 million, and (3) Proceeds from Bonds – approximately 4.1 percent or $69.8 million.

### Mass Transit Projects

At June 30, 2005, the Department of Rail and Public Transportation (Primary Government) had contractual commitments of approximately $182.3 million for various public transportation and rail preservation projects. Funding of the future expenditures is expected to be as follows: (1) State Funds – approximately 73 percent or $133.7 million, and (2) Federal Funds – approximately 27 percent or $48.6 million.

### Port Projects

At June 30, 2005, the Virginia Port Authority (Nonmajor Component Unit) was committed to construction contracts totaling $255.7 million.

### Sanitation District Project

At June 30, 2005, the Hampton Roads Sanitation District Commission (Nonmajor Component Unit) was committed to construction programs totaling $37.8 million.

### Higher Education Institutions

Many of the colleges and universities (Component Units) are committed to construction contracts. As of June 30, 2005, these commitments totaled approximately $588.2 million. Higher Education Foundations' commitments total approximately $57.0 million and are primarily for construction contracts.

### Correctional Institutions

The Department of Corrections is committed to construction contracts at the Buckingham, Dillwyn, Fluvanna, and Nottoway Correctional Centers. As of June 30, 2005, these commitments totaled approximately $8.2 million.

## B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month–to–month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2005, was $74.8 million for governmental activities (including Internal Service Funds) and $15.1 million for business-type activities. Rental expense for the discrete component units (excluding Foundations) for the year ended June 30, 2005, was $77.6 million. The Commonwealth has, as of June 30, 2005, the following minimum rental payments due under the above leases (dollars in thousands):

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Component Units (1) |
| 2006 | $ 52,584 | $ 12,231 | $ 43,372 |
| 2007 | 36,154 | 8,349 | 31,712 |
| 2008 | 28,041 | 5,981 | 22,276 |
| 2009 | 20,229 | 3,622 | 17,555 |
| 2010 | 12,548 | 1,603 | 14,155 |
| 2011-2015 | 22,454 | 1,004 | 22,564 |
| 2016-2020 | 4,664 | - | 7,486 |
| 2021-2025 | 914 | - | 823 |
| 2026-2030 | 106 | - | 823 |
| 2031-2035 | 75 | - | 823 |
| 2036-2040 | - | - | 823 |
| 2041-2045 | - | - | 823 |
| 2046-2050 | - | - | 659 |
| Total | $ 177,769 | $ 32,790 | $ 163,894 |

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

| | Foundations (2) |
|---|---|
| 2006 | $ 863 |
| 2007 | 708 |
| 2008 | 631 |
| 2009 | 535 |
| 2010 | 511 |
| Thereafter | 5,131 |
| Total | $ 8,379 |

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2005, was approximately $1.3 million.

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

## C. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2005, amounted to $3.5 billion.

## D. Tobacco Grants

The Tobacco Indemnification and Community Revitalization Commission (Commission) (Nonmajor Component Unit) has $49.1 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2005, in accordance with GASBS No. 33. The Commission awarded an additional $7 million in grants in July 2005 that are also not reflected in these statements.

The Virginia Tobacco Settlement Foundation (Nonmajor Component Unit) has $3.5 million in grant commitments and $4.8 million in outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2005, in accordance with GASBS No. 33.

### E. Maintenance Contracts

The Virginia Economic Development Partnership (Nonmajor Component Unit) entered into a 3-year contract for maintenance on its Microsoft products for a total cost of $135,223. As of June 30, 2005, one year is remaining on this commitment, amounting to $45,074.

## 16. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

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

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 13). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave State service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or $5,000. All employees leaving State service are paid for accrued annual leave up to the maximum calendar year limit at their current earnings rate.

In conformance with Section C60 of GASB Codification, the monetary value of accumulated annual and sick leave and disability credits payable upon termination is included in the accompanying financial statements. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, amounts are segregated into two components – the amount due within one year and the amount due in more than one year. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments for separations that occurred prior to June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Assets (see Note 20). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2005, was computed using salary rates effective at that date, and represents vacation, compensatory and sick leave earned or disability credits held up to the allowable ceilings.

## 17. INSURANCE

### A. Self–Insurance

The Commonwealth maintains two types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for Commonwealth employees. The plan is accounted for in the Health Care – Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. At June 30, 2005, $77.7 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.R. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

| | Balance July 1, | Current Year Claims and Changes in Estimates | Claim Payments | Balance June 30, |
|---|---|---|---|---|
| 2004-2005 | $ 85,706 | $ 661,590 | $ (669,579) | $ 77,717 |
| 2003-2004 | $ 78,800 | $ 613,508 | $ (606,602) | $ 85,706 |

The second type of plan, risk management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. This plan is accounted for in the Risk Management – Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. Risk management coverage includes worker's compensation, property, general (tort) liability, medical malpractice, and automobile plans. At June 30, 2005, $243.3 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 3 percent. Undiscounted claims payable at June 30, 2005, is $291.3 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

| | Balance July 1, | Current Year Claims and Changes in Estimates | Claim Payments | Balance June 30, |
|---|---|---|---|---|
| 2004-2005 | $ 219,505 | $ 83,164 | $ (59,412) | $ 243,257 |
| 2003-2004 | $ 189,185 | $ 80,445 | $ (50,125) | $ 219,505 |

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort, including general and automobile liability, liability is assumed at $2,000,000 per occurrence. Medical malpractice liability is assumed at the maximum per occurrence recovery limit stated in Section 8.01-581.15 of the *Code of Virginia* ($1,800,000 for the year ending June 30, 2005, increasing annually until 2008 when it will reach $2,000,000 per occurrence). For property damage, Risk Management purchases $500,000,000 of insurance with a $2,500,000 per occurrence deductible for named windstorms, $4,000,000 per occurrence deductible for floods, and a $1,000,000 deductible for all other perils.

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

The Virginia Port Authority (Nonmajor Component Unit) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5,000,000 per claim, but is obligated to pay the first $1,000,000 of any individual's claims per incident. The Authority is also partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to $75,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of $3,866,745.

### B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 237 local government units participating in the pool. This includes 29 school districts, 30 counties, 87 cities/towns, and 91 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2005, $16.2 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

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

The Department of Treasury, Division of Risk Management administers risk management pools for public official and governmental liability in accordance with Section 2.2-1839 of the Code of Virginia. These pools were established to provide an economical low-cost, internally managed alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to the approval of the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Local participation is voluntary and open to any political subdivision. As of June 30, 2005, there were 527 units of local government in the pool. This includes 3 cities, 43 towns, and 34 counties. The balance includes a large variety of boards, commissions, authorities, and special districts.

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

The pool is actuarially valued annually and is considered sound. Investment income is considered in the anticipation of premium deficiencies. No excess insurance or reinsurance is provided, but a "stability fund" is incorporated into the actuarially determined required reserves. If, however, the plan assets and reserves were to be exhausted, the members would be responsible for any deficits or liabilities.

For the liability insurance pool, local participation is voluntary and open to any political subdivision. The risk assumed by the local public entity pool for member liability is $1,000,000 per occurrence.

At June 30, 2005, $10.5 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

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

| | Local Choice Health Care | | Risk Management | |
|---|---|---|---|---|
| | June 30, 2005 | June 30, 2004 | June 30, 2005 | June 30, 2004 |
| Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year (1) | $ 15,198 | $ 12,993 | $ 10,472 | $ 9,895 |
| Incurred Claims and Claim Adjustment Expenses: | | | | |
| Provision for Insured Events of the Current Fiscal Year | 144,944 | 124,887 | 4,441 | 4,603 |
| Changes in Provision for Insured Events of Prior Fiscal Years | - | - | (2,196) | (1,786) |
| Total Incurred Claims and Adjustment Expenses | 144,944 | 124,887 | 2,245 | 2,817 |
| Payments: | | | | |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year | 143,930 | 122,682 | 227 | 161 |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year | - | - | 2,354 | 2,144 |
| Total Payments | 143,930 | 122,682 | 2,581 | 2,305 |
| Change in Provision for Discounts | - | - | 331 | 322 |
| Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) | $ 16,212 | $ 15,198 | $ 10,467 | $ 10,729 |
| Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted) | $ 16,212 | $ 15,198 | $ 10,926 | $ 10,914 |

Note (1): Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year for Risk Management excludes the amount for Commuter Rail due to reporting entity changes.

## 18. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2005.

| | Vendor | Salary/ Wage | Retainage | Other | Foundations (1) | Total |
|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | |
| General | $ 117,692 | $ 97,927 | $ 125 | $ - | $ - | $ 215,744 |
| Major Special Revenue Funds: | | | | | | |
| Commonwealth Transportation | 167,641 | 33,789 | 14,936 | - | - | 216,366 |
| Federal Trust | 74,348 | 14,662 | 1,752 | 3 | - | 90,765 |
| Literary | 196 | - | - | - | - | 196 |
| Nonmajor Governmental Funds | 55,118 | 24,300 | 5,874 | 2 | - | 85,294 |
| Major Enterprise Funds: | | | | | | |
| State Lottery | 979 | 1,295 | - | 3,578 | - | 5,852 |
| Virginia College Savings Plan | 119 | 180 | - | 755 | - | 1,054 |
| Pocahontas Parkway | 108 | - | - | - | - | 108 |
| Unemployment Compensation | - | 99 | - | - | - | 99 |
| Nonmajor Enterprise Funds | 27,008 | 3,969 | - | - | - | 30,977 |
| Internal Service Funds | 34,926 | 6,023 | - | 5,078 | - | 46,027 |
| Private Purpose | 121 | 80 | - | 120 | - | 321 |
| Pension Trust | 378 | 1,048 | - | 23,321 | - | 24,747 |
| Agency Funds | - | - | - | 6,045 | - | 6,045 |
| **Total Primary Government (2)** | $ 478,634 | $ 183,372 | $ 22,687 | $ 38,902 | $ - | $ 723,595 |
| **Discrete Component Units:** | | | | | | |
| Virginia Housing Development Authority | $ 46,570 | $ - | $ - | $ - | $ - | $ 46,570 |
| Virginia Public School Authority | 70 | - | - | - | - | 70 |
| University of Virginia | 66,422 | 60,945 | 7,401 | 38,573 | 27,275 | 200,616 |
| Virginia Polytechnic Institute and State University | 38,699 | 42,785 | 4,264 | - | 9,951 | 95,699 |
| Virginia Commonwealth University | 52,900 | 59,564 | 2,531 | - | 3,890 | 118,885 |
| Nonmajor Component Units | 105,443 | 114,684 | 13,883 | 5,119 | 19,462 | 258,591 |
| **Total Component Units** | $ 310,104 | $ 277,978 | $ 28,079 | $ 43,692 | $ 60,578 | $ 720,431 |

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

Note (2): Fiduciary liabilities of $31,113 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of $56,360 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

## 19. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2005.

| | Primary Government | | | | |
|---|---|---|---|---|---|
| | General | Commonwealth Transportation | Federal Trust | Nonmajor Governmental Funds | State Lottery |
| Lottery Prizes Payable | $ - | $ - | $ - | $ - | $ 35,537 |
| Due to Program Participants, Escrows, and Providers | - | - | - | - | - |
| Medicaid Payable | 186,739 | - | 187,487 | - | - |
| Family Access to Medical Insurance Security Payable | 828 | - | 1,537 | - | - |
| Accrued Interest Payable | - | - | - | - | - |
| Tax Refunds Payable | 213,715 | - | - | - | - |
| Other Liabilities | - | - | - | 2,174 | - |
| Deposits Pending Distribution | 1,416 | 2,814 | 2 | 1,915 | - |
| Car Tax Refund Payable | 39,164 | - | - | - | - |
| Matured Debt Payable | - | - | - | 15 | - |
| Total Other Liabilities | $ 441,862 | $ 2,814 | $ 189,026 | $ 4,104 | $ 35,537 |

| | Primary Government | | | | |
|---|---|---|---|---|---|
| | Virginia College Savings Plan | Pocahontas Parkway (1) | Unemployment Compensation | Nonmajor Enterprise Funds | Internal Service Funds |
| Lottery Prizes Payable | $ - | $ - | $ - | $ - | $ - |
| Due to Program Participants, Escrows, and Providers | 4 | - | 20,291 | - | - |
| Medicaid Payable | - | - | - | - | - |
| Family Access to Medical Insurance Security Payable | - | - | - | - | - |
| Accrued Interest Payable | - | 3,421 | - | - | - |
| Tax Refunds Payable | - | - | - | - | - |
| Other Liabilities | - | 21,074 | - | 1,571 | 5,372 |
| Deposits Pending Distribution | - | - | - | 179 | - |
| Car Tax Refund Payable | - | - | - | - | - |
| Matured Debt Payable | - | - | - | - | - |
| Total Other Liabilities | $ 4 | $ 24,495 | $ 20,291 | $ 1,750 | $ 5,372 |

*(Continued on next page)*

Note (1): The $21,074 (dollars in thousands) shown above represents an interfund liability to the Commonwealth Transportation Fund that will not be repaid within one year. This amount is reclassified to an internal balance on the Government-wide Statement of Net Assets.

| | Primary Government (continued from previous page) | | | |
|---|---|---|---|---|
| | Pension Trust Funds | Investment Trust Funds | Agency Funds | Total Primary Government (2) |
| Lottery Prizes Payable | $ - | $ - | $ - | $ 35,537 |
| Due to Program Participants, Escrows, and Providers | - | - | 420,189 | 440,484 |
| Medicaid Payable | - | - | - | 374,226 |
| Family Access to Medical Insurance Security Payable | - | - | - | 2,365 |
| Accrued Interest Payable | - | - | - | 3,421 |
| Tax Refunds Payable | - | - | - | 213,715 |
| Other Liabilities | 1,354 | 147,468 | 20,471 | 199,484 |
| Deposits Pending Distribution | - | - | 29,448 | 35,774 |
| Car Tax Refund Payable | - | - | - | 39,164 |
| Matured Debt Payable | - | - | - | 15 |
| Total Other Liabilities | $ 1,354 | $ 147,468 | $ 470,108 | $ 1,344,185 |

Note (2): Fiduciary liabilities of $618,930 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of $314,218 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

| | Component Units | | | | |
|---|---|---|---|---|---|
| | Virginia Housing Development Authority | Virginia Public School Authority | University of Virginia | Virginia Polytechnic Institute & State University | Virginia Commonwealth University |
| Accrued Interest Payable | $ 64,400 | $ 47,542 | $ - | $ 258 | $ 3,909 |
| Other Liabilities | - | 376 | 20,101 | 24,314 | 93,850 |
| Deposits Pending Distribution | - | - | 254,871 | 13,480 | 26,743 |
| Short-term Debt | - | - | 29,940 | - | 25,000 |
| Matured Debt Payable | 3,208 | - | - | - | - |
| Grants Payable | - | - | - | - | - |
| Total Other Liabilities | $ 67,608 | $ 47,918 | $ 304,912 | $ 38,052 | $ 149,502 |

| | Component Units | |
|---|---|---|
| | Nonmajor Component Units | Total Component Units |
| Accrued Interest Payable | $ 42,569 | $ 158,678 |
| Other Liabilities | 57,749 | 196,390 |
| Deposits Pending Distribution | 11,903 | 306,997 |
| Short-term Debt | 12,845 | 67,785 |
| Matured Debt Payable | - | 3,208 |
| Grants Payable | 12,536 | 12,536 |
| Total Other Liabilities | $ 137,602 | $ 745,594 |

**Medicaid Payable**

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

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2005, the estimated liability related to Medicaid claims totaled $374.2 million. Of this amount $186.7 million is reflected in the General Fund (major) and $187.5 million in the Federal Trust Special Revenue Fund (major).

**Family Access to Medical Insurance Security Payable**

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2005, the estimated liability related to claims totaled $2.37 million. Of this amount, $0.83 million is reflected in the General Fund (major) and $1.54 million in the Federal Trust Special Revenue Fund (major).

**Tax Refunds Payable**

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended December 31, 2004, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2005. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

**Car Tax Refund Payable**

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth will assume financial responsibility for the personal property taxes assessed by localities over a five-year period beginning in 1998. The amount reported on the balance sheet represents personal property taxes assessed by the localities before June 30, 2005, and paid by the Commonwealth after June 30, 2005. The majority of the amount pertains to the 2005 personal property taxes. However, some prior year reimbursements are also included due to delinquent taxpayer payments. The tax years and applicable rates are as follows:

| | |
|---|---|
| 2005 | 70.0% |
| 2004 | 70.0% |
| 2003 | 70.0% |
| 2002 | 70.0% |
| 2001 | 70.0% |
| 2000 | 47.5% |
| 1999 | 27.5% |
| 1998 | 12.5% |

Chapter 1 of Special Session 1 (2004) established a $950 million limit on the amount the state would appropriate for personal property tax relief, beginning for tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the $950 million, with payments to begin on or after July 1, 2006 (fiscal year 2007).

**Short-term Debt**

Various Higher Education Institutions' Foundations (Component Units) have lines of credit with banks. University of Virginia Foundations (Major Component Unit) report $29.9 million and Nonmajor Component Unit Foundations report $12.8 million. This short-term debt is for working capital, property acquisition, construction costs, and operating costs. Virginia Commonwealth University (Major Component Unit) reports $25 million in a line of credit for working capital that will be repaid with a new bond.

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

## 20. LONG–TERM LIABILITIES

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

Section 9(d) bonds are revenue bonds and are not backed by the full faith, credit and taxing power of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt may be supported by State appropriations in whole or in part, as in the case of certain debt of the VPA (Nonmajor Component Unit), VPBA (Primary Government), ITA (Nonmajor Component Unit), and VCBA (Nonmajor Component Unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (Component Units). Additionally, the 9(d) Transportation Bonds (Primary Government) are payable solely from revenues or earnings, and other available sources of funds appropriated by the General Assembly. The 9(d) Pocahontas Parkway Association Bonds (Primary Government) are special, limited obligations of the Association, secured by a gross revenue pledge and payable solely from revenues prior to payment of current expenses and from monies held in certain funds and accounts held in trust.

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

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. However, in some cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund. These bonds are considered to be moral obligation debt.

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

**Total Long-term Liabilities**
June 30, 2005

| *(Dollars in Thousands)* | Balance At June 30 | Amount Due Within One Year |
|---|---|---|
| **Primary Government:** | | |
| Governmental Activities:(1) | | |
| ***General Obligation Bonds: (2)*** | | |
| 9(b) Transportation Facilities (3) | $ 34,792 | $ 4,620 |
| 9(b) Public Facilities (3) | 520,655 | 42,015 |
| 9(c) Parking Facilities (3) | 11,040 | 1,035 |
| 9(c) Transportation Facilities (3) | 90,545 | 10,775 |
| Total General Obligation Bonds | 657,032 | 58,445 |
| ***Non-General Obligation Bonds - 9(d):*** | | |
| Transportation Debt (3) (4) | 1,788,274 | 126,740 |
| Virginia Public Building Authority (3) | 1,142,070 | 78,660 |
| Total Non-General Obligation Bonds | 2,930,344 | 205,400 |
| ***Other Long-term Obligations:*** | | |
| Pension Liability | 621,969 | - |
| Compensated Absences | 313,896 | 167,829 |
| Capital Lease Obligations | 133,799 | 9,230 |
| Regional Jail Financing Payable | 15,030 | 1,655 |
| Notes Payable | 31,155 | 2,576 |
| Installment Purchase Obligations | 24,047 | 9,106 |
| Industrial Development Authority Obligations | 27,100 | 3,940 |
| Other Liabilities | 18,761 | 2,800 |
| Total Other Long-term Obligations | 1,185,757 | 197,136 |
| Total Governmental Activities (3) | 4,773,133 | 460,981 |
| | | |
| Business-type Activities: (1) (6) | | |
| ***Non-General Obligation Bonds - 9(d):*** | | |
| Pocahontas Parkway Association Bonds (3) | 463,357 | 5,300 |
| ***Other Long-term Obligations:*** | | |
| Pension Liability | 12,990 | - |
| Compensated Absences | 7,859 | 3,314 |
| Installment Purchase Obligations | 9,709 | 5,310 |
| Tuition Benefits Payable | 1,430,383 | 60,900 |
| Lottery Prizes Payable | 375,041 | 58,144 |
| Total Other Long-term Obligations | 1,835,982 | 127,668 |
| Total Business-type Activities (3) | 2,299,339 | 132,968 |
| **Total Primary Government** | 7,072,472 | 593,949 |

*(Continued on next page)*

**Total Long-term Liabilities**
June 30, 2005
*(continued from previous page)*

| *(Dollars in Thousands)* | Balance At June 30 | Amount Due Within One Year |
|---|---|---|
| **Component Units:** | | |
| ***General Obligation Bonds: (2)*** | | |
| Higher Education Fund - 9(c) Bonds (3) | 296,963 | 28,984 |
| ***Non-General Obligation Bonds:*** | | |
| Higher Education Institutions - 9(d) (3) (6) | 546,062 | 20,277 |
| Virginia College Building Authority (3) | 641,450 | 55,012 |
| Innovative Technology Authority | 8,635 | 700 |
| Virginia Port Authority (3) (7) | 408,168 | 15,419 |
| Virginia Housing Development Authority (3) (8) | 4,627,186 | 196,385 |
| Virginia Resources Authority (3) (8) | 1,286,295 | 45,775 |
| Virginia Public School Authority (3) (6) | 2,449,447 | 160,452 |
| Hampton Roads Sanitation District Commission (6) | 138,509 | 11,525 |
| Virginia Equine Center Foundation (6) | 15,540 | 220 |
| Virginia Biotechnology Research Park Authority (3) (9) | 67,335 | 2,975 |
| Foundations (6) (10) | 332,019 | 9,730 |
| Total Non-General Obligation Bonds | 10,520,646 | 518,470 |
| ***Other Long-term Obligations:*** | | |
| Pension Liability (5) | 238,463 | - |
| Compensated Absences | 187,489 | 107,790 |
| Capital Lease Obligations | 46,272 | 4,118 |
| Notes Payable (6) | 1,139,395 | 406,717 |
| Installment Purchase Obligations | 85,614 | 10,870 |
| Other Liabilities (6) | 368,920 | 39,577 |
| Total Other Long-term Obligations (Excluding Foundations) | 2,066,153 | 569,072 |
| ***Other Long-term Obligations (Foundations): (6) (10)*** | | |
| Pension Liability | 23,177 | - |
| Compensated Absences | 5,085 | 4,897 |
| Capital Lease Obligations | 372 | 143 |
| Notes Payable | 149,708 | 26,008 |
| Installment Purchase Obligations | 149 | 50 |
| Trust and Annuity Obligations (11) | 90,909 | 3,068 |
| Other Liabilities | 43,110 | 7,652 |
| Total Other Long-term Obligations - Foundations | 312,510 | 41,818 |
| Total Other Long-term Obligations | 2,378,663 | 610,890 |
| **Total Component Units** | 13,196,272 | 1,158,344 |
| **Total Long-term Liabilities** | $ 20,268,744 | $ 1,752,293 |

1. Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-type Activities are considered Enterprise Funds.
2. Total general obligation debt of the Commonwealth is $954.0 million.
3. Amounts are net of any unamortized discounts, premiums, and deferrals.
4. This debt includes $746.9 million that is not supported by taxes.
5. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of $2.8 million, Virginia Port Authority of $3.5 million and Virginia Outdoors Foundation of $30 thousand. It does not include pension obligations from fiduciary funds of $1.8 million.
6. This debt is not supported by taxes.
7. This debt includes $142.6 million that is not supported by taxes.
8. This debt is not supported by taxes; however, $623.7 million from VHDA and $695.1 million from VRA is considered moral obligation debt.
9. This debt includes $12.7 million that is not supported by taxes.
10. Foundations represent FASB reporting entities defined in Note 1.B.
11. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

## Primary Government

### Transportation Facilities Debt

Transportation Facilities Bonds include $34,791,565 of 9(b) general obligation bonds, $90,545,384 of 9(c) general obligation bonds, and $1,788,274,413 of 9(d) revenue bonds. Principal and interest requirements for the current year totaled $219,776,410. The Section 9(b) transportation facilities bonds represent Powhite Refunding Bonds. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the Omer L. Hirst - Adelard L. Brault Expressway and the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). On November 10, 2004, the Commonwealth Transportation Board issued $89,400,000 of 9(d) Transportation Revenue Refunding Bonds Series 2004A and $232,260,000 in Transportation Revenue Refunding Bonds Series 2004B. The Series 2004A bonds were issued to advance refund outstanding Series 1996A, Series 1999A, and Series 2001A bonds. The Series 2004B bonds were issued to advance refund outstanding Series 1996B, Series 1999B, and Series 2001B bonds. The interest rates for these bonds range from 2.00 percent to 7.25 percent and the issuance dates range from June 28, 1989, to November 10, 2004.

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

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 4,620,000 | $ 1,588,750 | $ 6,208,750 |
| 2007 | 4,885,000 | 1,357,750 | 6,242,750 |
| 2008 | 5,130,000 | 1,113,500 | 6,243,500 |
| 2009 | 5,415,000 | 857,000 | 6,272,000 |
| 2010 | 5,715,000 | 586,250 | 6,301,250 |
| 2011-2015 | 6,010,000 | 300,500 | 6,310,500 |
| Less: | | | |
| Deferral on Debt Defeasance | (710,000) | - | (710,000) |
| Add: | | | |
| Unamortized Premium | 3,726,565 | - | 3,726,565 |
| Total | $ 34,791,565 | $ 5,803,750 | $ 40,595,315 |

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 10,775,117 | $ 3,957,561 | $ 14,732,678 |
| 2007 | 10,798,630 | 3,581,732 | 14,380,362 |
| 2008 | 10,844,756 | 3,191,150 | 14,035,906 |
| 2009 | 7,539,000 | 2,808,613 | 10,347,613 |
| 2010 | 4,590,000 | 2,618,763 | 7,208,763 |
| 2011-2015 | 26,680,000 | 9,385,475 | 36,065,475 |
| 2016-2020 | 17,825,000 | 3,248,469 | 21,073,469 |
| 2021-2025 | 3,295,000 | 168,869 | 3,463,869 |
| Less: | | | |
| Unamortized Discount | (1,811,943) | - | (1,811,943) |
| Deferral on Debt Defeasance | (2,000,000) | - | (2,000,000) |
| Add: | | | |
| Unamortized Premium | 2,009,824 | - | 2,009,824 |
| Total | $ 90,545,384 | $ 28,960,632 | $ 119,506,016 |

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 126,740,000 | $ 82,005,549 | $ 208,745,549 |
| 2007 | 132,415,000 | 75,959,212 | 208,374,212 |
| 2008 | 138,860,000 | 69,453,683 | 208,313,683 |
| 2009 | 143,255,000 | 62,497,789 | 205,752,789 |
| 2010 | 153,970,000 | 55,139,429 | 209,109,429 |
| 2011-2015 | 526,030,000 | 178,871,997 | 704,901,997 |
| 2016-2020 | 327,518,820 | 82,998,713 | 410,517,533 |
| 2021-2025 | 152,675,875 | 22,487,275 | 175,163,150 |
| 2026-2030 | 27,897,169 | 1,002,000 | 28,899,169 |
| 2031-2035 | 3,541,804 | - | 3,541,804 |
| Add: | | | |
| Accretion on Capital Appreciation Bonds | 5,312,174 | - | 5,312,174 |
| Less: | | | |
| Deferral on Debt Defeasance | (41,280,484) | - | (41,280,484) |
| Add: | | | |
| Unamortized Premium | 91,339,056 | - | 91,339,056 |
| Total | $ 1,788,274,414 | $ 630,415,647 | $ 2,418,690,061 |

### Pocahontas Parkway Association Bonds

The Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, Senior Current Interest Bonds, Series 1998A were issued on July 9, 1998 in the amount of $168,862,562. Bonds mature in annual installments on August 15 in the years 2005 through 2011, and 2026 through 2028. Interest is payable on each February 15 and August 15 beginning in 1999 at rates varying from 5.0 percent to 5.5 percent.

The Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, Senior Capital Appreciation Bonds, Series 1998B were issued on July 9, 1998, in the principal amount of $148,310,627 and the maturity value of $690,200,000. Bonds mature in annual installments on August 15 in the years 2012 through 2025, and 2029 through 2035. The Senior Capital Appreciation Bonds were issued at a discount to yield, approximately, 5.50 percent to 5.95 percent. Principal accreted for the year ended June 30, 2005, was $12,328,234.

The Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, First Tier

Subordinate Capital Appreciation Bonds, Series 1998C were issued on July 9, 1998, in the principal amount of $35,867,236 and the maturity value of $137,300,000. Bonds mature in annual installments on August 15 in the years 2005 through 2035. The First Tier Subordinate Capital Appreciation Bonds were issued at a discount to yield, approximately, 5.40 percent to 6.25 percent. Principal accreted for the year ended June 30, 2005, was $3,065,571.

The Second Tier Subordinate Toll Road Revenue Bond, Series 1998D was issued on July 9, 1998, in the principal amount of $18,000,000 to the Commonwealth Transportation Board (CTB). The Series 1998D Bond was issued in exchange for $18,000,000 loaned to the Association for paying certain non-construction costs of the Project, and shall mature on August 15, 2028. The Series 1998D Bond shall bear interest at a floating rate equal to the Commonwealth's Transportation Trust Fund Earnings Rate, compounded semiannually. The Series 1998D Bond shall bear interest from the date that amounts are advanced from the Series 1998D Bond Proceeds Account for application to non-construction costs of the Project on the amount of such advances until paid. Also earnings on the Series 1998D Bond Proceeds Account shall be transferred monthly to the Virginia Department of Transportation. The original proceeds disbursed for non-construction costs as of June 30, 2005, were $17,989,424 and accrued interest was $5,719,695. The average interest rate for fiscal year 2005 was 2.90 percent.

During the years 2002, 2004, and 2005, the Association issued non-interest bearing Second Tier Subordinate Bonds representing previously incurred operating expenses for which the Association was to reimburse the Commonwealth. These bonds, Series 2001A for $443,386, Series 2004A for $2,362,136, and Series 2005A for $1,859,112, are issued on a parity in terms of payment with other Second Tier Subordinate Bonds and will be payable only after all payments of principal, accreted value, premium, if any, and interest on the Senior Bonds and First Tier Subordinate bonds then due have been paid.

The Route 895 Connector Toll Road Revenue Bonds are special limited obligations of the Association, secured by a gross revenue pledge and payable solely from revenues and other property included in the Trust Estate. The Association is a private, non-stock, nonprofit corporation and has no taxing powers. Neither the 1998, 2001, 2004, nor the 2005 Bonds are a debt of the Commonwealth, the Virginia Department of Transportation, the CTB, or any other agency, instrumentality or political subdivision of the Commonwealth, moral or otherwise. Neither the full faith and credit nor taxing power of the Commonwealth, is pledged to the payment of this debt.

The following schedule details the annual funding requirements necessary to repay the Series 1998A, 1998B, 1998C, 1998D, 2001A , 2004A and 2005A bonds:

**POCAHONTAS PARKWAY ASSOCIATION**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 5,300,000 | $ 9,046,250 | $ 14,346,250 |
| 2007 | 8,000,000 | 8,841,250 | 16,841,250 |
| 2008 | 9,000,000 | 8,548,500 | 17,548,500 |
| 2009 | 10,100,000 | 8,199,375 | 18,299,375 |
| 2010 | 11,300,000 | 7,797,750 | 19,097,750 |
| 2011-2015 | 87,800,000 | 33,245,000 | 121,045,000 |
| 2016-2020 | 126,300,000 | 32,037,500 | 158,337,500 |
| 2021-2025 | 165,900,000 | 32,037,500 | 197,937,500 |
| 2026-2030 | 243,662,689 | 16,304,750 | 259,967,439 |
| 2031-2035 | 273,000,000 | - | 273,000,000 |
| 2036-2040 | 79,500,000 | - | 79,500,000 |
| Less: Unamortized Discount | (848,512) | - | (848,512) |
| Imputed interest bond discount | (3,345,310) | 3,345,310 | - |
| Unaccreted Capital Appreciation Bonds | (552,311,732) | - | (552,311,732) |
| Total | $ 463,357,135 | $ 159,403,185 | $ 622,760,320 |

## Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 1993B, Series 1996, Series 1996 refunding, Series 1997, Series 1998 refunding, Series 1998, Series 1999A, Series 2002 Refunding, Series 2003A Refunding, Series 2004A and Series 2004B refunding. All bonds were issued to fund construction projects for higher educational institutions, mental health, and/or park facilities. The Series 2003A bonds were issued to advance refund outstanding Series 1993A and B, Series 1994, and Series 1996 bonds. The Series 2004B bonds were issued to advance refund outstanding Series 1997, Series 1998, and Series 1999A bonds. Principal and interest requirements for the current year totaled $64,224,739. The interest rates for all bonds range from 2.0 percent to 5.65 percent and the issuance dates range from June 1, 1996, to November 1, 2004. The following schedule details the annual funding requirements necessary to repay these bonds:

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 42,015,000 | $ 24,180,901 | $ 66,195,901 |
| 2007 | 41,825,000 | 22,247,611 | 64,072,611 |
| 2008 | 39,550,000 | 20,235,849 | 59,785,849 |
| 2009 | 41,470,000 | 18,337,686 | 59,807,686 |
| 2010 | 41,205,000 | 16,395,943 | 57,600,943 |
| 2011-2015 | 188,695,000 | 52,177,610 | 240,872,610 |
| 2016-2020 | 70,105,000 | 17,742,650 | 87,847,650 |
| 2021-2025 | 39,755,000 | 4,345,450 | 44,100,450 |
| Less: Deferral on Debt Defeasance | (11,812,125) | - | (11,812,125) |
| Add: Unamortized Premium | 27,847,568 | - | 27,847,568 |
| Total | $ 520,655,443 | $ 175,663,700 | $ 696,319,143 |

## Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 1996, 2002 Refunding, 2003A Refunding and 2004A. The Series 1996 bond was issued to fund the renovation of the Seventh and Marshall Street parking deck. The Series 2002 and 2003A bonds were issued to advance refund outstanding Series 1996 and Series 1993 Refunding bonds. The Series 2004A bond was issued to fund the renovation of the Ninth and Franklin Street parking deck. The interest rates for these bonds range from 2.5 percent to 5.7 percent and the issuance dates range from June 6, 1996, to August 1, 2004. Current year principal and interest requirements totaled $1,503,908.

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

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 1,034,572 | $ 521,623 | $ 1,556,195 |
| 2007 | 1,075,042 | 469,276 | 1,544,318 |
| 2008 | 1,148,715 | 414,886 | 1,563,601 |
| 2009 | 1,000,426 | 356,776 | 1,357,202 |
| 2010 | 1,046,985 | 307,004 | 1,353,989 |
| 2011-2015 | 2,178,102 | 990,655 | 3,168,757 |
| 2016-2020 | 1,525,000 | 597,500 | 2,122,500 |
| 2021-2025 | 1,525,000 | 181,200 | 1,706,200 |
| Less: Deferral on Debt Defeasance | (357,000) | - | (357,000) |
| Add: Unamortized Premium | 863,586 | - | 863,586 |
| Total | $ 11,040,428 | $ 3,838,920 | $ 14,879,348 |

## Virginia Public Building Authority

Virginia Public Building Authority (VPBA ) Section 9(d) bonds consist of Series 1992B, 1995A, 1996A refunding, 1997A, 1998A refunding, 1998B, 1999A, 1999B, 2000A, 2001A, 2002A, 2003A refunding, 2004A refunding, 2004B, 2004C refunding, 2004D refunding, 2005A refunding, and 2005B refunding. All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The interest rates for all bonds range from 2.5 percent to 6.6 percent and the issuance dates range from June 15, 1992, to May 5, 2005. Current year principal and interest requirements totaled $101,780,347. The following schedule details the annual funding requirements necessary to repay these bonds:

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 78,660,000 | $ 47,065,929 | $ 125,725,929 |
| 2007 | 77,835,000 | 45,668,886 | 123,503,886 |
| 2008 | 86,300,000 | 42,624,916 | 128,924,916 |
| 2009 | 90,965,000 | 39,273,415 | 130,238,415 |
| 2010 | 94,585,000 | 35,611,480 | 130,196,480 |
| 2011-2015 | 408,135,000 | 117,861,516 | 525,996,516 |
| 2016-2020 | 224,380,000 | 40,305,017 | 264,685,017 |
| 2021-2025 | 76,495,000 | 7,912,075 | 84,407,075 |
| Less: Unamortized Discount | (11,371,528) | - | (11,371,528) |
| Deferral on Debt Defeasance | (36,510,459) | - | (36,510,459) |
| Plus: Unamortized Premium | 52,596,495 | - | 52,596,495 |
| Total | $ 1,142,069,508 | $ 376,323,234 | $ 1,518,392,742 |

## Regional Jail Financing Program

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

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

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

**REGIONAL JAILS FINANCING**
**Financial Obligations to Maturity**

| *Calendar Year Obligations* | *Capital Costs* | *Financing Costs* | *Total* |
|---|---|---|---|
| 2006 | $ 1,655,357 | $ 981,369 | $ 2,636,726 |
| 2007 | 1,681,599 | 951,891 | 2,633,490 |
| 2008 | 1,712,928 | 919,166 | 2,632,094 |
| 2009 | 1,749,353 | 884,436 | 2,633,789 |
| 2010 | 1,785,867 | 847,422 | 2,633,289 |
| 2011-2015 | 6,444,840 | 1,653,323 | 8,098,163 |
| Total | $ 15,029,944 | $ 6,237,607 | $ 21,267,551 |

## Industrial Development Authority Obligations

In fiscal year 2002, the Newport News Industrial Development Authority (IDA) issued Section 9(d) revenue bonds to pay a portion of the cost of construction and equipping of the Virginia Advanced Shipbuilding and Carrier Integration Center for use by the Newport News Shipbuilding and Dry Dock Company. The Commonwealth's obligation is set out in a payment agreement between Newport News IDA and the Treasury Board, in which the Treasury Board agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 2.75 percent to 5.03 percent and the issue date is July 27, 2000. Current year principal and interest requirements totaled $5,310,682. The following schedule details the annual funding requirements necessary to repay these bonds:

**NEWPORT NEWS INDUSTRIAL DEVELOPMENT AUTHORITY**
**Debt Service Requriements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 3,940,000 | $ 1,352,190 | $ 5,292,190 |
| 2007 | 4,150,000 | 1,144,390 | 5,294,390 |
| 2008 | 4,370,000 | 920,545 | 5,290,545 |
| 2009 | 4,615,000 | 678,288 | 5,293,288 |
| 2010 | 4,875,000 | 417,313 | 5,292,313 |
| 2011-2015 | 5,150,000 | 141,625 | 5,291,625 |
| Total | $ 27,100,000 | $ 4,654,351 | $ 31,754,351 |

## Component Units

## Higher Education Institution Bonds

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

| | |
|---|---|
| College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects | $ 445,392 |
| College and university debt backed exclusively by pledged revenues of an institution | 100,670 |
| Total Higher Education Institution 9(d) debt | $ 546,062 |

The interest rates for these bonds range from 1.5 percent to 9.25 percent and the issuance dates range from June 30, 1979 to November 1, 2004. The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds:

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 29,095,311 | $ 14,347,869 | $ 43,443,180 |
| 2007 | 28,701,328 | 13,083,943 | 41,785,271 |
| 2008 | 29,706,529 | 11,795,771 | 41,502,300 |
| 2009 | 29,139,574 | 10,466,207 | 39,605,781 |
| 2010 | 28,023,015 | 9,216,834 | 37,239,849 |
| 2011-2015 | 98,233,898 | 28,806,163 | 127,040,061 |
| 2016-2020 | 50,520,000 | 9,795,913 | 60,315,913 |
| 2021-2025 | 17,300,000 | 1,788,019 | 19,088,019 |
| Less: Unamortized Discount | (1,142,210) | - | (1,142,210) |
| Deferral on Debt Defeasance | (12,615,000) | - | (12,615,000) |
| Total | $ 296,962,445 | $ 99,300,719 | $ 396,263,164 |

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 21,182,472 | $ 24,526,475 | $ 45,708,947 |
| 2007 | 25,375,721 | 23,561,956 | 48,937,677 |
| 2008 | 25,989,067 | 22,584,065 | 48,573,132 |
| 2009 | 22,107,515 | 21,518,699 | 43,626,214 |
| 2010 | 19,171,067 | 20,623,339 | 39,794,406 |
| 2011-2015 | 124,862,485 | 87,306,227 | 212,168,712 |
| 2016-2020 | 92,103,841 | 60,679,199 | 152,783,040 |
| 2021-2025 | 73,783,876 | 39,688,935 | 113,472,811 |
| 2026-2030 | 44,925,000 | 25,054,675 | 69,979,675 |
| 2031-2035 | 106,825,000 | 9,885,875 | 116,710,875 |
| Less: Deferral on Debt Defeasance | (10,264,100) | - | (10,264,100) |
| Total | $ 546,061,944 | $ 335,429,445 | $ 881,491,389 |

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 53,460,000 | $ 27,850,451 | $ 81,310,451 |
| 2007 | 54,375,000 | 26,946,250 | 81,321,250 |
| 2008 | 46,200,000 | 24,369,944 | 70,569,944 |
| 2009 | 41,045,000 | 22,168,894 | 63,213,894 |
| 2010 | 34,495,000 | 20,171,725 | 54,666,725 |
| 2011-2015 | 136,070,000 | 80,417,235 | 216,487,235 |
| 2016-2020 | 149,640,000 | 43,696,350 | 193,336,350 |
| 2021-2025 | 96,295,000 | 10,924,448 | 107,219,448 |
| Less: | | | |
| Deferral on Debt Defeasance | (4,631,000) | - | (4,631,000) |
| Add: | | | |
| Unamortized Premium | 34,500,760 | - | 34,500,760 |
| Total | $ 641,449,760 | $ 256,545,297 | $ 897,995,057 |

Various Higher Education Institutions' Foundations (Component Units) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. Many principal and interest payments are to banks or industrial development authorities located throughout the Commonwealth. The following schedule details the future principal payments:

**HIGHER EDUCATION INSTITUTIONS' FOUNDATIONS' BONDS (1)**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* |
|---|---|
| 2006 | $ 9,729,824 |
| 2007 | 5,641,709 |
| 2008 | 5,881,160 |
| 2009 | 6,039,046 |
| 2010 | 6,179,045 |
| Thereafter | 298,548,247 |
| Total | $ 332,019,031 |

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

## Innovative Technology Authority

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

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

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 700,000 | $ 641,855 | $ 1,341,855 |
| 2007 | 790,000 | 591,525 | 1,381,525 |
| 2008 | 875,000 | 534,013 | 1,409,013 |
| 2009 | 855,000 | 470,050 | 1,325,050 |
| 2010 | 935,000 | 407,208 | 1,342,208 |
| 2011-2015 | 4,480,000 | 867,809 | 5,347,809 |
| Total | $ 8,635,000 | $ 3,512,460 | $ 12,147,460 |

## Virginia Port Authority

The Virginia Port Authority (VPA) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia.* The interest rates for these bonds range from 2.7 percent to 5.75 percent and the issuance dates range from October 23, 1996, to April 14, 2005. Series 1998 bonds were issued to advance refund $71.0 million of the outstanding 1988 bonds. The following schedule details the annual funding requirements necessary to amortize VPA bonds:

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 15,240,000 | $ 19,575,132 | $ 34,815,132 |
| 2007 | 17,715,000 | 19,607,230 | 37,322,230 |
| 2008 | 19,625,000 | 18,641,788 | 38,266,788 |
| 2009 | 20,660,000 | 17,589,008 | 38,249,008 |
| 2010 | 11,120,000 | 16,767,173 | 27,887,173 |
| 2011-2015 | 64,615,000 | 74,546,866 | 139,161,866 |
| 2016-2020 | 73,290,000 | 55,526,892 | 128,816,892 |
| 2021-2025 | 86,885,000 | 35,009,096 | 121,894,096 |
| 2026-2030 | 76,700,000 | 11,359,178 | 88,059,178 |
| 2031-2035 | 16,580,000 | 1,258,047 | 17,838,047 |
| Plus: | | | |
| Unamortized Premium | 5,738,140 | - | 5,738,140 |
| Total | $ 408,168,140 | $ 269,880,410 | $ 678,048,550 |

## Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 3.59 percent to 8.18 percent and the origination dates range from June 30, 1982, to June 14, 2005. The following schedule details the annual funding requirements necessary to amortize these bonds:

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 196,385,000 | $ 220,378,369 | $ 416,763,369 |
| 2007 | 144,745,000 | 226,821,042 | 371,566,042 |
| 2008 | 172,490,000 | 219,461,791 | 391,951,791 |
| 2009 | 189,640,000 | 211,891,184 | 401,531,184 |
| 2010 | 195,445,000 | 203,440,518 | 398,885,518 |
| 2011-2015 | 957,245,000 | 876,953,378 | 1,834,198,378 |
| 2016-2020 | 860,955,000 | 634,453,758 | 1,495,408,758 |
| 2021-2025 | 671,830,000 | 423,740,052 | 1,095,570,052 |
| 2026-2030 | 490,737,264 | 253,054,212 | 743,791,476 |
| 2031-2035 | 455,885,098 | 114,749,040 | 570,634,138 |
| 2036-2040 | 164,790,000 | 43,085,335 | 207,875,335 |
| 2041-2045 | 109,660,000 | 12,788,305 | 122,448,305 |
| 2046-2050 | 15,800,000 | 199,931 | 15,999,931 |
| Add: Unamortized Premium | 3,645,000 | - | 3,645,000 |
| Less: Unamortized Discount | (2,066,000) | - | (2,066,000) |
| Total | $ 4,627,186,362 | $ 3,441,016,915 | $ 8,068,203,277 |

## Virginia Resources Authority

The Virginia Resources Authority (VRA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 1.36 percent to 8.70 percent and the origination dates range from December 1, 1985, to June 30, 2005. The following schedule details the annual funding requirements necessary to amortize these bonds:

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 45,775,000 | $ 53,843,125 | $ 99,618,125 |
| 2007 | 48,465,000 | 54,595,408 | 103,060,408 |
| 2008 | 52,660,000 | 52,758,026 | 105,418,026 |
| 2009 | 55,790,000 | 50,675,112 | 106,465,112 |
| 2010 | 56,940,000 | 48,405,070 | 105,345,070 |
| 2011-2015 | 327,845,000 | 197,865,199 | 525,710,199 |
| 2016-2020 | 293,395,000 | 126,268,530 | 419,663,530 |
| 2021-2025 | 235,705,000 | 63,196,700 | 298,901,700 |
| 2026-2030 | 124,905,000 | 26,049,288 | 150,954,288 |
| 2031-2035 | 74,200,000 | 12,039,774 | 86,239,774 |
| 2036-2040 | 10,520,000 | 258,366 | 10,778,366 |
| Add: Unamortized Premium | 42,551,716 | - | 42,551,716 |
| Less: Unamortized Discounts and Issuance Expenses | (29,650,886) | - | (29,650,886) |
| Unaccreted Capital Appreciation Bonds | (52,805,581) | - | (52,805,581) |
| Total | $ 1,286,295,249 | $ 685,954,598 | $ 1,972,249,847 |

## Virginia Public School Authority

The Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.00 percent to 6.00 percent and the origination dates range from July 1, 1994, to May 25, 2005. The following schedule details the annual funding requirements necessary to amortize these bonds:

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 161,880,000 | $ 113,932,845 | $ 275,812,845 |
| 2007 | 175,975,000 | 109,258,889 | 285,233,889 |
| 2008 | 165,280,000 | 100,887,713 | 266,167,713 |
| 2009 | 165,045,000 | 92,656,909 | 257,701,909 |
| 2010 | 160,090,000 | 84,554,463 | 244,644,463 |
| 2011-2015 | 706,265,000 | 309,281,553 | 1,015,546,553 |
| 2016-2020 | 555,972,063 | 148,301,869 | 704,273,932 |
| 2021-2025 | 285,205,000 | 43,190,944 | 328,395,944 |
| 2026-2030 | 62,425,000 | 6,325,825 | 68,750,825 |
| 2031-2035 | 1,195,000 | 26,888 | 1,221,888 |
| Less: Deferral on Debt Defeasance | (60,016,000) | - | (60,016,000) |
| Plus: Unamortized Premium | 70,130,646 | - | 70,130,646 |
| Total | $ 2,449,446,709 | $ 1,008,417,898 | $ 3,457,864,607 |

## Hampton Roads Sanitation District Commission

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

**HAMPTON ROADS SANITATION DISTRICT COMMISSION**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 11,525,000 | $ 4,358,000 | $ 15,883,000 |
| 2007 | 11,919,000 | 3,941,000 | 15,860,000 |
| 2008 | 8,339,000 | 4,678,000 | 13,017,000 |
| 2009 | 8,617,000 | 4,492,000 | 13,109,000 |
| 2010 | 8,941,000 | 4,102,000 | 13,043,000 |
| 2011-2015 | 50,925,000 | 13,872,000 | 64,797,000 |
| 2016-2020 | 19,499,000 | 4,667,000 | 24,166,000 |
| 2021-2025 | 13,454,000 | 1,863,000 | 15,317,000 |
| 2026-2030 | 5,290,000 | 201,000 | 5,491,000 |
| Total | $ 138,509,000 | $ 42,174,000 | $ 180,683,000 |

### Virginia Equine Center Foundation

The Virginia Equine Center Foundation issued Series 2001 IDA of Rockbridge County Virginia Horse Center Revenue Bonds. Coupon interest rates range from 6.125 percent to 8.0 percent.

**VIRGINIA EQUINE CENTER FOUNDATION**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 780,000 | $ 1,050,162 | $ 1,830,162 |
| 2007 | 600,000 | 1,011,665 | 1,611,665 |
| 2008 | 640,000 | 971,414 | 1,611,414 |
| 2009 | 680,000 | 928,467 | 1,608,467 |
| 2010 | 725,000 | 882,854 | 1,607,854 |
| 2011-2015 | 12,115,000 | 5,563,590 | 17,678,590 |
| Total | $ 15,540,000 | $ 10,408,152 | $ 25,948,152 |

The above listed debt of the Virginia Equine Center Foundation is not an obligation of the Commonwealth, and neither the full faith and credit nor taxing power of the Commonwealth is pledged to the payment of this debt.

### Virginia Biotechnology Research Park Authority

The Virginia Biotechnology Research Park Authority issued Series 1996, 1998, 1999A, 1999B, and 2001 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 4.0 percent to 6.4 percent. The Series 1996 Virginia Biotechnology Research Park Authority Lease Revenue Bonds were refinanced with VPBA Series 2005A bonds on March 1, 2005.

**VIRGINIA BIOTECHNOLOGY RESEARCH PARK AUTHORITY**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2006 | $ 2,975,000 | $ 3,303,415 | $ 6,278,415 |
| 2007 | 3,130,000 | 3,155,879 | 6,285,879 |
| 2008 | 3,280,000 | 3,009,030 | 6,289,030 |
| 2009 | 3,440,000 | 2,855,894 | 6,295,894 |
| 2010 | 3,610,000 | 2,692,851 | 6,302,851 |
| 2011-2015 | 21,225,000 | 10,420,435 | 31,645,435 |
| 2016-2020 | 20,185,000 | 4,771,350 | 24,956,350 |
| 2021-2025 | 9,040,000 | 457,750 | 9,497,750 |
| Plus: | | | |
| Unamortized Premium | 449,996 | - | 449,996 |
| Total | $ 67,334,996 | $ 30,666,604 | $ 98,001,600 |

Total principal outstanding at June 30, 2005, on all Component Unit bonds amounted to $10.8 billion.

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

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

*(Dollars in Thousands)*

| | Balance July 1, 2004 as restated | Issuances and Other Increases | Retirements and Other Decreases | Subtotal June 30, 2005 |
|---|---|---|---|---|
| **Primary Government** | | | | |
| **Governmental Activities:** | | | | |
| **Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| General Obligation Bonds - 9(b) and 9(c): | | | | |
| Public Facilities Bonds (3) (4) | $ 389,219 | $ 265,090 | $ (133,654) | $ 520,655 |
| Parking Facilities Bonds (3) (4) | 6,367 | 5,756 | (1,083) | 11,040 |
| Transportation Facilities Bonds (3) (4) | 140,800 | 1,096 | (16,559) | 125,337 |
| Total General Obligation Bonds | 536,386 | 271,942 | (151,296) | 657,032 |
| **Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| **Debt:** | | | | |
| Non-General Obligation Bonds - 9(d) | | | | |
| Transportation Facilities Bonds (3) (4) | 1,909,581 | 350,951 | (472,258) | 1,788,274 |
| Virginia Public Building Authority Bonds (3) (4) | 887,828 | 540,312 | (286,070) | 1,142,070 |
| Regional Jails Financing Payable | 16,654 | - | (1,624) | 15,030 |
| Industrial Development Authority Obligations | 30,845 | - | (3,745) | 27,100 |
| Installment Purchase Obligations | 29,228 | 5,705 | (10,886) | 24,047 |
| Notes Payable - Virginia Public Broadcasting Board | 17,950 | - | (2,175) | 15,775 |
| Notes Payable - Transportation | 12,325 | - | - | 12,325 |
| Notes Payable - Aviation | 3,341 | - | (286) | 3,055 |
| **Obligations:** | | | | |
| Compensated Absences | 304,839 | 15,673 | (6,616) | 313,896 |
| Capital Lease Obligations (5) | 235,839 | 1,089 | (103,129) | 133,799 |
| Pension Liability | 542,471 | 79,498 | - | 621,969 |
| Other | 20,928 | 376 | (2,543) | 18,761 |
| Total Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth | 4,011,829 | 993,604 | (889,332) | 4,116,101 |
| **Total Governmental Activities** | 4,548,215 | 1,265,546 | (1,040,628) | 4,773,133 |
| **Business-type Activities:** | | | | |
| **Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| **Debt:** | | | | |
| Non-General Obligation Bonds - 9(d) | | | | |
| Pocahontas Parkway Association Bonds (3) | 447,372 | 15,985 | - | 463,357 |
| Installment Purchase Obligations | 12,475 | 2,003 | (4,769) | 9,709 |
| **Obligations:** | | | | |
| Compensated Absences | 7,852 | 4,149 | (4,142) | 7,859 |
| Pension Liability | 11,601 | 1,389 | - | 12,990 |
| Lottery Prizes Payable | 398,195 | 9,198 | (32,352) | 375,041 |
| Tuition Benefits Payable | 1,157,712 | 311,191 | (38,520) | 1,430,383 |
| **Total Business-type Activities** | 2,035,207 | 343,915 | (79,783) | 2,299,339 |
| **Total Primary Government** | $ 6,583,422 | $ 1,609,461 | $ (1,120,411) | $ 7,072,472 |
| **Component Units** | | | | |
| **Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| General Obligation Bonds - Higher Education 9(c) (3) | $ 316,923 | $ 109,554 | $ (129,514) | $ 296,963 |
| **Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| **Debt:** | | | | |
| Bonds (3) (4) | 9,340,756 | 2,568,649 | (1,720,778) | 10,188,627 |
| Installment Purchase Obligations | 25,227 | 72,416 | (12,029) | 85,614 |
| Capital Lease Obligations | 44,123 | 7,385 | (5,236) | 46,272 |
| Notes Payable (8) | 858,030 | 485,174 | (203,809) | 1,139,395 |
| **Obligations:** | | | | |
| Compensated Absences | 182,306 | 121,916 | (116,733) | 187,489 |
| Pension Liability | 220,290 | 20,944 | (2,771) | 238,463 |
| Trust and Annuity Obligations | - | - | - | - |
| Other (6) | 291,564 | 91,429 | (14,073) | 368,920 |
| **Total Component Units** | $ 11,279,219 | $ 3,477,467 | $ (2,204,943) | $ 12,551,743 |

| Foundations (7) | Balance June 30, 2005 | Due Within One Year |
|---|---|---|
| $ - | $ 520,655 | $ 42,015 |
| - | 11,040 | 1,035 |
| - | 125,337 | 15,395 |
| - | 657,032 | 58,445 |
| - | 1,788,274 | 126,740 |
| - | 1,142,070 | 78,660 |
| - | 15,030 | 1,655 |
| - | 27,100 | 3,940 |
| - | 24,047 | 9,106 |
| - | 15,775 | 2,290 |
| - | 12,325 | - |
| - | 3,055 | 286 |
| - | 313,896 | 167,829 |
| - | 133,799 | 9,230 |
| - | 621,969 | - |
| - | 18,761 | 2,800 |
| - | 4,116,101 | 402,536 |
| - | 4,773,133 | 460,981 |
| - | 463,357 | 5,300 |
| - | 9,709 | 5,310 |
| - | 7,859 | 3,314 |
| - | 12,990 | - |
| - | 375,041 | 58,144 |
| - | 1,430,383 | 60,900 |
| - | 2,299,339 | 132,968 |
| $ - | $ 7,072,472 | $ 593,949 |
| $ - | $ 296,963 | $ 28,984 |
| 332,019 | 10,520,646 | 518,470 |
| 149 | 85,763 | 10,920 |
| 372 | 46,644 | 4,261 |
| 149,708 | 1,289,103 | 432,725 |
| 5,085 | 192,574 | 112,687 |
| 23,177 | 261,640 | - |
| 90,909 | 90,909 | 3,068 |
| 43,110 | 412,030 | 47,229 |
| $ 644,529 | $ 13,196,272 | $ 1,158,344 |

(1) Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-type Activities are considered Enterprise Funds.

(2) Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and special revenue funds. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

(3) Amounts are net of any unamortized discounts, premiums, and deferrals.

(4) The beginning balance has been increased from the prior year to reflect unamortized bond premium liability.

(5) The beginning balance has been increased from the prior year to reflect restatement of capital lease obligations.

(6) The beginning balance has been decreased from the prior year by a higher education component unit to reflect a restatement.

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

(8) The beginning balance has been increased from the prior year to reflect reclassifications.

**Bond Defeasance**

**Primary Government**

In November 2004, the Commonwealth issued $170,530,000 General Obligation Refunding Bonds, Series 2004B Refunding, pursuant to Sections 9(b) and 9(c) of Article X of the Constitution, with a true interest cost (TIC) of 3.53 percent to advance refund $173,115,000 of certain outstanding bonds. The bonds that were refunded include $34,645,000 of outstanding Higher Education Institution Bonds, Series 1997, $7,150,000 of outstanding Higher Education Institution Bonds, Series 1998, $15,975,000 of outstanding Higher Education Institution Bonds, Series 1999, $31,735,000 of outstanding Higher Education Institution Refunding Bonds, Series 2001, $45,990,000 of outstanding Public Facilities Bonds, Series 1997, $28,080,000 of outstanding Public Facilities Bonds, Series 1998, and $9,540,000 of outstanding Public Facilities Bonds, Series 1999. The net proceeds from the sale of the Refunding Bonds of $187,378,800 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the refunded bonds. The debt defeasance resulted in an accounting loss of $14,263,000. It will, however, reduce total debt service payments over the next 16 years by $9,709,464 resulting in an economic gain of $8,194,030 discounted at the rate of 3.44 percent.

In December 2004, the Virginia Public Building Authority (VPBA) issued $106,460,000 State Building Revenue Bonds Series 2004D. A portion of the proceeds refunded $23,595,000 of Series 1997A bonds, $11,605,000 of Series 1999B bonds, and $67,085,000 of Series 2000A bonds. Bond proceeds of $113,202,001 were placed with an escrow agent to provide for the redemption of the bonds. The debt defeasance resulted in an accounting loss of $10,917,001. It will, however, reduce total debt service payments over the life of the bonds by $6,107,495 resulting in an economic gain of $5,034,051 discounted at 3.90 percent. In May 2005, VPBA issued $135,675,000 State Building Revenue Bonds Series 2005B. A portion of the proceeds refunded $71,070,000 of Series 1996A bonds, $25,120,000 of Series 1998B bonds, and $45,405,000 of Series 1999A bonds. Bond proceeds of $147,174,006 were placed with an escrow agent to provide for the redemption of the bonds. The debt defeasance resulted in an accounting loss of $5,579,006. It will, however, reduce total debt service payments over the life of the bonds by $8,183,288 resulting in an economic gain (savings) of $7,885,362 discounted at 3.59 percent. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities,* the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is amortized as a component of interest on bonds over the remaining life of the refunded debt. Therefore, bonds payable, as reflected on the government-wide statements, has been reduced by $36,510,459 to reflect the remaining deferral on debt defeasance at June 30, 2005.

On November 10, 2004, the Commonwealth Transportation Board issued $89,400,000 in Transportation Revenue Refunding Bonds Series 2004A and $232,260,000 in Transportation Revenue Refunding Bonds Series 2004B with a true interest cost (TIC) of 3.96 percent. The bonds that were refunded with the Series 2004A Transportation Refunding Bonds include $48,375,000 of outstanding Transportation Revenue Bonds, Series 1996A, $19,755,000 of outstanding Transportation Revenue Bonds, Series 1999A, and $17,730,000 of outstanding Transportation Revenue Bonds, Series 2001A. The bonds that were refunded with the Series 2004B Transportation Refunding Bonds include $75,645,000 of outstanding Transportation Revenue Bonds, Series 1996B, $121,465,000 of outstanding Transportation Revenue Bonds, Series 1999B, and $30,880,000 of outstanding Transportation Revenue Bonds, Series 2001B. The net proceeds from the sale of the refunding portion of the bonds of $347,105,184 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $33,255,184. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments over the next 17 years will be reduced by $15,211,130 resulting in an economic gain of $14,490,113 discounted at a rate of 3.75 percent.

**VPBA Refinancings**

The Virginia Public Building Authority issued $39 million and $47 million in Public Facilities Revenue Refunding Bonds, Series 2004C and 2005A, respectively, during the fiscal year ended June 30, 2005. The issuance of the bonds resulted in the refunding of certain lease obligations secured and payable by the Commonwealth of Virginia.

**Component Units**

In October 2004, the Virginia College Building Authority (VCBA) issued $103,205,000 of Series 2004B Pooled Program Educational Facilities Revenue Refunding bonds. The proceeds of the Pooled Program Educational Facilities Revenue Refunding bonds were used to refund $26,685,000 of Series 1997A Pooled Program bonds, $5,465,000 of Series 1998A Pooled Program bonds, $45,150,000 of Series 1999A Pooled Program bonds and $24,130,000 of Series 2000A Pooled Program bonds. Bond proceeds of $111,313,545 were placed with an escrow agent to provide for the redemption of the bonds. The debt defeasance of the Pooled Program Educational Facilities bonds resulted in an accounting loss of $10,068,000. Total debt service payments over the next 15 years will be reduced by $7,209,455 resulting in a present value savings of $5,650,847 discounted at a rate of 3.64 percent. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary*

*Activities,* the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is amortized as a component of interest on bonds over the remaining life of the refunded debt. However, the deferral amount for the Pooled Program Educational Facilities bonds has been allocated to the participating institutions that are responsible for future debt service payments of the bonds in accordance with loan agreements. Notes payable of the related Higher Education Institutions rather than bonds payable of the Authority has been reduced by $9,306,000 to reflect the remaining deferral on debt defeasance at June 30, 2005.

In December 2004, the VCBA issued $61,395,000 of Series 2004B 21st Century College Program Educational Facilities Revenue Refunding bonds. The proceeds of the 21st Century College Program Revenue Refunding bonds were used to refund $31,160,000 of Series 1996 21st Century College Program bonds, $20,705,000 of Series 1998 21st Century College Program bonds and $9,750,000 of Series 2000 21st Century College Program bonds. Bond proceeds of $66,630,000 were placed with an escrow agent to provide for the redemption of the bonds. The debt defeasance of the 21st Century College Program Educational Facilities bonds resulted in an accounting loss of $5,015,000. The total debt service payments over the next 16 years will be reduced by $1,808,217 resulting in a present value savings of $2,131,608 discounted at a rate of 3.90 percent. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities,* the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is amortized as a component of interest on bonds over the remaining life of the refunded debt. The Authority's Bonds Payable have been reduced by $4,631,500 to reflect the remaining deferral on debt defeasance at June 30, 2005, related to the 21st Century College Program refunding.

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2005, there were $877.9 million in bonds from the Primary Government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $1.1 billion in bonds outstanding considered defeased from the Component Units.

**Arbitrage Rebate**

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

Amounts remitted to the Federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or non-general fund appropriations to satisfy any rebate liability. During the year, the Commonwealth paid $15,007 to the Federal government for rebate liability on Commonwealth general obligation bonds, Series 1999. The Virginia College Building Authority (Nonmajor Component Unit) remitted $141,095 in rebate liability on its Series 1999 Pooled Bond Program. The Virginia Department of Transportation paid $940,813 in rebate liability on its Series 1999A Northern Virginia Transportation District and 1999B U.S. Route 58 bond Series.

Rebate liability on bonds of the Virginia Public School Authority (Major Component Unit) is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During the year, $801,775 was paid to the Federal government for rebate on various VPSA School Financing Bonds.

**Capital Leases**

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

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2005, are shown in the following table (dollars in thousands). There were no capital lease amounts associated with business-type activities.

| | Governmental Activities | Component Units (1) |
|---|---|---|
| 2006 | $ 18,818 | $ 6,436 |
| 2007 | 18,127 | 6,443 |
| 2008 | 17,171 | 6,198 |
| 2009 | 16,305 | 6,047 |
| 2010 | 16,018 | 6,064 |
| 2011-2015 | 72,852 | 22,042 |
| 2016-2020 | 37,708 | 7,777 |
| 2021-2025 | 9,497 | 369 |
| Total Gross Minimum Lease Payments | 206,496 | 61,376 |
| Less: Amount Representing Executory Costs | 9,419 | 1 |
| Net Minimum Lease Payments | 197,077 | 61,375 |
| Less: Amount Representing Interest | 63,278 | 15,103 |
| Present Value of Net Minimum Lease Payments | $ 133,799 | $ 46,272 |

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

| | Foundations (2) |
|---|---|
| 2006 | $ 143 |
| 2007 | 113 |
| 2008 | 54 |
| 2009 | 48 |
| 2010 | 15 |
| Net Minimum Lease Payments | 373 |
| Less: Amount Representing Interest | 1 |
| Present Value of Net Minimum Lease Payments | $ 372 |

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

At June 30, 2005, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

| | Buildings | Equipment | Total |
|---|---|---|---|
| **Governmental Activities:** | | | |
| Gross Capital Assets | $ 180,551 | $ 361 | $ 180,912 |
| Less: Accumulated Depreciation | 43,876 | 248 | 44,124 |
| **Total Governmental Activities** | $ 136,675 | $ 113 | $ 136,788 |
| **Component Units:** | | | |
| Gross Capital Assets | $ 39,425 | $ 29,965 | $ 69,390 |
| Less: Accumulated Depreciation | 7,303 | 12,313 | 19,616 |
| Subtotal (excluding Foundations) | 32,122 | 17,652 | 49,774 |
| Foundations: | | | |
| Gross Capital Assets | - | 676 | 676 |
| Less: Accumulated Depreciation | - | 263 | 263 |
| Subtotal Foundations | - | 413 | 413 |
| **Total Component Units** | $ 32,122 | $ 18,065 | $ 50,187 |
| Total Capital Lease Assets | $ 168,797 | $ 18,178 | $ 186,975 |

## Notes Payable

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

| | |
|---|---|
| **Primary Government** | |
| Transportation Note | $ 12,325 |
| Virginia Public Broadcasting Board Note | 15,775 |
| Aviation Note | 3,055 |
| Installment Notes | 33,756 |
| **Total Primary Government** | 64,911 |
| **Component Units** | |
| Virginia Public School Authority | 168,315 |
| Virginia Housing Development Authority | 326,595 |
| University of Virginia | 72,521 |
| Virginia Polytechnic Institute and State University | 92,871 |
| Virginia Commonwealth University | 114,544 |
| Nonmajor Component Units | 364,549 |
| Installment Notes | 85,614 |
| Subtotal (excluding Foundations) | 1,225,009 |
| Foundations: | |
| Notes Payable | 149,708 |
| Installment Notes | 149 |
| Subtotal - Foundations | 149,857 |
| **Total Component Units** | 1,374,866 |
| **Total Notes Payable** | $ 1,439,777 |

The Transportation (Primary Government) Note listed above represents an interest free note payable to Fairfax County, Virginia, of $4,325,000 which was issued pursuant to the State Revenue Bond Act, Article 5, Title 33.1, *Code of Virginia* to pay for the acquisition and construction of the Omer L. Hirst - Adelard L. Brault Expressway. This note is to be repaid on December 1, 2008. Additionally, the Virginia Department of Transportation (Primary Government) entered into an interest free note payable to Chesterfield County, Virginia, of $8,000,000 for the repayment of the Powhite Parkway Extension Toll Road from surplus net revenues of the project prior to the retirement of all the bonds issued.

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

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

The Virginia Public School Authority (Major Component Unit) notes of $168,315,000 are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (Major Special Revenue Fund).

The Virginia Housing Development Authority (Major Component Unit) notes of $326,595,000 are for the Federal Home Loan Bank program. The proceeds along with bond proceeds are used to make mortgage loans.

An additional amount of $644,485,000 is comprised primarily of Higher Education (Component Unit) promissory notes with the Virginia College Building Authority (Nonmajor Component Unit) to finance the construction of various higher education facilities. The principal amount net of deferred loss on debt defeasance is $622,889,000. Interest rates range from 2.5 percent to 5.7 percent and shall be paid semi-annually. The final principal payment is due in 2035. The Virginia Equine Center (Nonmajor Component Unit) has a note payable in the amount of $31,927 for a Chevrolet Tahoe to be used as a company car. The interest rate is 1.9 percent and the note is due in 2009.

The Higher Education Institutions (Component Units) also have notes payable. The University of Virginia (Major Component Unit) has notes payable of $2,721,000 which are three to five year notes for equipment and other working capital expenses at an interest rate of 3.0 percent to 6.0 percent. The College of William and Mary (Nonmajor Component Unit) has notes payable of $4,776,674 with SunTrust Bank to partially finance the multi-year implementation of a new administrative and financial system. This first note matures in 2008 and has an interest rate of 5.82 percent. The second note has an interest rate of 3.75 percent and matures in 2011. Virginia State University (Nonmajor Component Unit) has a note payable of $2,324,258, which is the result of a loan agreement with the U.S. Department of Housing and Urban Development to repair seven dormitories. The loan is to be repaid over 30 years at 3.0 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. Norfolk State University (Nonmajor Component Unit) has a note payable of $106,837, which is the result of an agreement with the City of Norfolk to purchase the Brambleton Center. The loan is payable in six full scholarships each year varying from $4,593 to $13,308 with the final amount due in 2019. George Mason University (Nonmajor Component Unit) has a note payable of $11,635,178 with SunTrust Corporation to pay for the implementation of the Siemens Energy Contract. The interest rate is 3.81 percent and matures in 2021.

Various Foundations (Component Units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and refinancing. Most of these notes are with banks. Future principal payments as of June 30, 2005, are shown in the following table (dollars in thousands).

**Foundations' Notes Payable (Component Units) (1)**
June 30, 2005

| Maturity | | Principal |
|---|---|---|
| 2006 | $ | 26,047 |
| 2007 | | 4,276 |
| 2008 | | 23,453 |
| 2009 | | 24,631 |
| 2010 | | 10,493 |
| Thereafter | | 60,808 |
| Total | $ | 149,708 |

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

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent $119,370,996 of the total outstanding debt of the Commonwealth. The

Foundations (Component Units) had installment purchase obligations totaling $149,344 as of year-end. Presented in the following tables are repayment schedules for installment purchase obligations.

**Installment Purchase Obligations - Governmental Funds**
June 30, 2005

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2006 | $ 9,107,305 | $ 671,629 | $ 9,778,934 |
| 2007 | 6,167,944 | 431,567 | 6,599,511 |
| 2008 | 3,030,260 | 279,229 | 3,309,489 |
| 2009 | 2,226,899 | 182,346 | 2,409,245 |
| 2010 | 2,130,221 | 99,043 | 2,229,264 |
| 2011-2014 | 1,074,142 | 93,420 | 1,167,562 |
| 2015-2019 | 298,752 | 32,802 | 331,554 |
| 2020-2024 | 11,446 | 55 | 11,501 |
| Total | $ 24,046,969 | $ 1,790,091 | $ 25,837,060 |

**Installment Purchase Obligations - Business-type Activities**
June 30, 2005

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2006 | $ 5,310,471 | $ 216,015 | $ 5,526,486 |
| 2007 | 2,760,720 | 93,109 | 2,853,829 |
| 2008 | 714,731 | 39,252 | 753,983 |
| 2009 | 510,851 | 20,750 | 531,601 |
| 2010 | 412,912 | 6,743 | 419,655 |
| Total | $ 9,709,685 | $ 375,869 | $ 10,085,554 |

**Installment Purchase Obligations - Component Units (1)**
June 30, 2005

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2006 | $ 10,870,234 | $ 2,080,570 | $ 12,950,804 |
| 2007 | 10,801,673 | 2,987,981 | 13,789,654 |
| 2008 | 9,359,741 | 2,318,579 | 11,678,320 |
| 2009 | 8,030,748 | 2,034,828 | 10,065,576 |
| 2010 | 6,846,142 | 1,744,297 | 8,590,439 |
| 2011-2015 | 27,813,043 | 5,346,639 | 33,159,682 |
| 2016-2019 | 10,942,723 | 1,717,807 | 12,660,530 |
| 2020-2024 | 950,038 | 26,754 | 976,792 |
| Total | $ 85,614,342 | $ 18,257,455 | $ 103,871,797 |

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

**Installment Purchase Obligations - Foundations (2)**
June 30, 2005

| *Maturity* | *Principal* |
|---|---|
| 2006 | $ 50,000 |
| 2007 | 50,000 |
| 2008 | 49,344 |
| 2009 | - |
| 2010 | - |
| Thereafter | - |
| Total | $ 149,344 |

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

## Lottery Prizes Payable

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

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

Lottery prizes payable for the fiscal year ended June 30, 2005, are shown in the following table:

| | Lottery | For Life | Total |
|---|---|---|---|
| Due within one year | $ 56,445,980 | $ 1,698,176 | $ 58,144,156 |
| Due in subsequent years | 294,570,861 | 22,325,856 | 316,896,717 |
| Total (present value) | 351,016,841 | 24,024,032 | 375,040,873 |
| Add: Interest to Maturity | 123,865,159 | 22,321,968 | 146,187,127 |
| Lottery Prizes Payable at Maturity | $ 474,882,000 | $ 46,346,000 | $ 521,228,000 |

**Tuition Benefits Payable**

The Virginia College Savings Plan administers the Virginia Prepaid Education Program (VPEP). VPEP offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at State higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the State's higher education institutions.

At June 30, 2005, tuition benefits payable of $1.4 billion have been recorded for the VPEP program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the VPEP program. In addition, a receivable in the amount of $304.1 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

## 21. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2005.

| | Assessments and Receipts for Support of Special Services | Fines, Forfeitures, Court Fees, Penalties, and Escheats | Receipts from Cities Counties, and Towns | Private Gifts, Grants, and Contracts | Sales of Property |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| General | $ 366 | $ 179,925 | $ 9,446 | $ 1 | $ 11,778 |
| Major Special Revenue Funds: | | | | | |
| Commonwealth Transportation | 18,411 | 11,246 | 76,557 | - | 3,758 |
| Federal Trust | - | 121 | - | - | 178 |
| Literary | - | 61,701 | - | - | - |
| Nonmajor Governmental Funds | 86,177 | 51,865 | 84,373 | 28,707 | 21,321 |
| Nonmajor Enterprise Funds | - | 12,215 | - | - | - |
| Private Purpose | - | - | - | - | - |
| Pension Trust | - | - | - | - | - |
| Total Primary Government | $ 104,954 | $ 317,073 | $ 170,376 | $ 28,708 | $ 37,035 |

| | Proceeds from Unclaimed Property | Tobacco Master Settlement | Taxes | Other | Total Other Revenue |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| General | $ - | $ 52,126 | $ - | $ 136,068 | $ 389,710 |
| Major Special Revenue Funds: | | | | | |
| Commonwealth Transportation | - | - | - | 39,285 | 149,257 |
| Federal Trust | - | - | - | 70,188 | 70,487 |
| Literary | 85,909 | - | - | - | 147,610 |
| Nonmajor Governmental Funds | - | - | - | 114,556 | 386,999 |
| Nonmajor Enterprise Funds | - | - | 12,096 | 2,405 | 26,716 |
| Private Purpose | - | - | - | 22 | 22 |
| Pension Trust | - | - | - | 743 | 743 |
| Total Primary Government | $ 85,909 | $ 52,126 | $ 12,096 | $ 363,267 | $ 1,171,544 |

## 22. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2005.

*(Dollars in Thousands)*

| | Insurance Claims | Lottery Prize Expense | Total Prizes and Claims |
|---|---|---|---|
| **Proprietary Funds:** | | | |
| Major Enterprise Funds: | | | |
| State Lottery | $ - | $ 765,248 | $ 765,248 |
| Unemployment Compensation | 359,189 | - | 359,189 |
| Nonmajor Enterprise Funds | 147,326 | - | 147,326 |
| Total Enterprise Funds | $ 506,515 | $ 765,248 | $ 1,271,763 |
| Internal Service Funds | $ 755,745 | $ - | $ 755,745 |

## 23. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense for the fiscal year ended June 30, 2005.

*(Dollars in Thousands)*

| | Depreciation | Amortization | Total Depreciation and Amortization |
|---|---|---|---|
| **Proprietary Funds:** | | | |
| Major Enterprise Funds: | | | |
| State Lottery | $ 5,489 | $ - | $ 5,489 |
| Virginia College Savings Plan | 64 | - | 64 |
| Pocahontas Parkway | 10,552 | 306 | 10,858 |
| Nonmajor Enterprise Funds | 4,172 | - | 4,172 |
| Total Enterprise Funds | $ 20,277 | $ 306 | $ 20,583 |
| Internal Service Funds | $ 16,895 | $ - | $ 16,895 |

## 24. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2005.

*(Dollars in Thousands)*

| | Grants and Distributions to Localities | Expendable Equipment | Other | Total Other Expenses (1) |
|---|---|---|---|---|
| **Proprietary Funds:** | | | | |
| Major Enterprise Funds: | | | | |
| Virginia College Savings Plan | $ - | $ 44 | $ - | $ 44 |
| Nonmajor Enterprise Funds | 68 | 1,327 | 381 | 1,776 |
| Total Enterprise Funds | $ 68 | $ 1,371 | $ 381 | $ 1,820 |
| Internal Service Funds | $ - | $ 26,269 | $ 10,551 | $ 36,820 |
| Private Purpose | - | - | 10 | 10 |
| Pension Trust | - | - | 444 | 444 |
| | $ 68 | $ 27,640 | $ 11,386 | $ 39,094 |

Note (1): Fiduciary expenses of $454 (dollars in thousands) are not included in the Government-wide Statement of Activities.

## 25. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2005.

*(Dollars in Thousands)*

| | Gain (Loss) on Sale of Capital Assets | Other | Total Non-Operating Revenue/ Expenses |
|---|---|---|---|
| **Proprietary Funds:** | | | |
| Major Enterprise Funds: | | | |
| State Lottery | $ - | $ (721) | $ (721) |
| Virginia College Savings Plan | - | (381) | (381) |
| Nonmajor Enterprise Funds | (37) | (438) | (475) |
| Total Enterprise Funds | $ (37) | $ (1,540) | $ (1,577) |
| Internal Service Funds | $ (500) | $ (783) | $ (1,283) |

## 26. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2005 (dollars in thousands).

| | Transfers In (Reported In): | | | | |
|---|---|---|---|---|---|
| **Transfers Out** (Reported In): | **General** | **Commonwealth Transportation** | **Federal Trust** | **Literary Fund** | **Nonmajor Governmental Funds** |
| **Primary Government** | | | | | |
| General | $ - | $ 365,323 | $ - | $ - | $ 273,623 |
| Major Special Revenue Funds: | | | | | |
| Commonwealth Transportation | 47,357 | - | 985 | - | 224,719 |
| Federal Trust | 309 | 23,823 | - | - | 1,591 |
| Nonmajor Governmental Funds | 60,036 | 1,054 | 810 | - | 12,427 |
| Major Enterprise Funds: | | | | | |
| State Lottery | 423,521 | - | - | 9,311 | - |
| Virginia College Savings Plan | 121 | - | - | - | - |
| Pocahontas Parkway | - | 204 | - | - | - |
| Unemployment Compensation | - | - | 3,500 | - | - |
| Nonmajor Enterprise Funds | 103,792 | - | - | 4 | 58 |
| Internal Service Funds | 1,185 | - | - | - | 1,054 |
| **Total Primary Government** | $ 636,321 | $ 390,404 | $ 5,295 | $ 9,315 | $ 513,472 |

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) to reimburse the General Fund for expenses incurred on behalf of nongeneral funds.

During the fiscal year, the following significant transfers were made that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

- Various non-general funds transferred approximately $30.3 million to the General Fund for disbursements appropriated by Chapter 951, 2005 Acts of Assembly.
- The Department of Motor Vehicles transferred certain fees of approximately $10.1 million to the General Fund as required by Chapter 951, 2005 Acts of Assembly.
- Various non-general funds transferred approximately $9.5 million to the General Fund resulting from reduced retirement and post-employment benefit contribution disbursements appropriated by Chapter 951, 2005 Acts of Assembly.

## 27. ON-BEHALF PAYMENTS

Higher Education Institutions (Component Units) recognized various foundation and association on-behalf payments for fringe benefits and salaries during fiscal year 2005 totaling $1,850,122. This activity was recorded as Program Revenue – Operating Grants and Contributions in the amount of $1,820,122; and Program Revenue – Charges for Services in the amount of $30,000, with corresponding expenditures.

| Nonmajor Enterprise Funds | Internal Service Funds | Total Primary Government |
|---|---|---|
| $ - | $ - | $ 638,946 |
| - | 283 | 273,344 |
| 363 | - | 26,086 |
| 5,018 | 115 | 79,460 |
| - | - | 432,832 |
| - | - | 121 |
| - | - | 204 |
| - | - | 3,500 |
| - | - | 103,854 |
| - | - | 2,239 |
| $ 5,381 | $ 398 | $ 1,560,586 |

## 28. DEFICIT FUND BALANCES / NET ASSETS

The State Lottery (Major Enterprise Fund) and Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) ended the year with deficit net assets of $2.5 million and $7.6 million respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Virginia College Savings Plan (Major Enterprise Fund) ended the year with a deficit net assets balance of $60.2 million which is attributable to the projected unfunded actuarial liability calculated by the Plan's actuary. While the Plan remains in a deficit position, there was significant improvement over the prior year deficit, which was reduced from $128.5 million to the current $60.2 million. This improvement is primarily attributable to lower than projected tuition increases for the 2005-2006 academic year, actual returns on the Plan's investments exceeding the assumed rate of return by a substantial margin, and increases in the actuarial reserve from new contract sales. The Board remains committed to reducing the actuarial deficit over time and will continue to work closely with the actuary and investment consultant to enhance investment performance and add to the actuarial reserve whenever possible.

The Pocahontas Parkway (Major Enterprise Fund) ended the year with a deficit net assets balance of $140.3 million. This is attributable to debt service and operating expenses exceeding revenues and a deficit in beginning net assets.

The eVA Procurement System (Nonmajor Enterprise Fund) ended the year with a deficit net assets balance of $1.9 million. This is attributable to a deficit in beginning net assets, operating expenses exceeding revenues and the net pension obligation resulting from GASB Statement No. 27, as previously explained.

The Health Care Fund (Internal Service Fund) ended the year with a deficit net assets balance of $11.0 million. The deficit is attributable to the fact that health care premiums are lower than the actuarially determined rates.

Maintenance and Repair (Internal Service Fund) ended the year with a deficit net assets balance of $1.1 million due to revenue refunds to agencies which were mandated by the Department of Planning and Budget.

The Risk Management Fund (Internal Service Fund) ended the year with a deficit net assets balance of $195.4 million. The deficit was the result of estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Graphic Communications Fund (Internal Service Fund) ended the year with a deficit net assets balance of $12,000. This was solely attributable to the net pension obligation resulting from GASB Statement

No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

The Virginia Public Building Authority Capital Projects Fund (Nonmajor Governmental Fund) ended the year with a deficit fund balance of $33.3 million. The Authority issues bonds based on estimated expenditures for approved capital projects. This deficit occurred because expenditures were incurred prior to year-end, but will not be paid until fiscal year 2006 when additional bonds are issued.

The Virginia College Building Authority (Nonmajor Component Unit) ended the year with a deficit net assets balance of $549.4 million. This deficit occurs because the Authority issues 21st Century and Equipment bonds subject to future appropriations from the General Fund of the Commonwealth without any other security.

## 29. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $716,670,270, and of this amount, $714,199,242 is reported as restricted net assets and $2,471,028 is reported as unrestricted net assets. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

## 30. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2005.

| | State Lottery | Virginia College Savings Plan | Pocahontas Parkway | Unemployment Compensation |
|---|---|---|---|---|
| Cash Flows Resulting from: | | | | |
| Payments for Prizes, Claims, and Loss Control: | | | | |
| Lottery Prizes | $ (848,144) | $ - | $ - | $ - |
| Claims and Loss Control | - | - | - | (363,376) |
| Total | $ (848,144) | $ - | $ - | $ (363,376) |
| Other Operating Revenues: | | | | |
| Other Operating Revenue | $ - | $ - | $ - | $ - |
| Total | $ - | $ - | $ - | $ - |
| Other Operating Expenses: | | | | |
| Payments for Contractual Services | $ (29,241) | $ (2,910) | $ - | $ - |
| Other Operating Expenses | - | - | (1,023) | - |
| Total | $ (29,241) | $ (2,910) | $ (1,023) | $ - |
| Other Noncapital Financing Receipt Activities: | | | | |
| Advances/Contributions from the Commonwealth | $ 15,000 | $ - | $ - | $ - |
| Receipts from Taxes | - | - | - | - |
| Other Noncapital Financing Receipt Activities | 1,290 | - | - | - |
| Total | $ 16,290 | $ - | $ - | $ - |
| Other Noncapital Financing Disbursement Activities: | | | | |
| Repayments of Advances/Contributions from the Commonwealth | $ - | $ - | $ - | $ - |
| Other Noncapital Financing Disbursement Activities | - | - | - | - |
| Total | $ - | $ - | $ - | $ - |

| Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|---|---|---|
| $ - | $ (848,144) | $ - |
| (142,825) | (506,201) | (728,991) |
| $ (142,825) | $ (1,354,345) | $ (728,991) |
| | | |
| $ 5,528 | $ 5,528 | $ 1 |
| $ 5,528 | $ 5,528 | $ 1 |
| | | |
| $ (38,722) | $ (70,873) | $ (143,068) |
| (39) | (1,062) | (9,237) |
| $ (38,761) | $ (71,935) | $ (152,305) |
| | | |
| $ 6,494 | $ 21,494 | $ - |
| 123,296 | 123,296 | - |
| 368 | 1,658 | 48 |
| $ 130,158 | $ 146,448 | $ 48 |
| | | |
| $ - | $ - | $ (632) |
| (92) | (92) | (1) |
| $ (92) | $ (92) | $ (633) |

## 31. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. Virginia could receive approximately $4.1 billion over the next 25 years. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created The Virginia Tobacco Settlement Foundation (Foundation). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. The Virginia Tobacco Indemnification and Community Revitalization Commission and the Virginia Tobacco Settlement Foundation are included in the Comprehensive Annual Financial Report as governmental component units.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies will be deposited to these funds and the General Fund. Fifty percent of the Settlement monies will be deposited into the Tobacco Indemnification and Community Revitalization Fund. Ten percent of the Settlement monies will be deposited into the Virginia Tobacco Settlement Fund. The remaining 40 percent will be deposited to the General Fund.

In May 2005, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Tobacco Indemnification and Community Revitalization Commission (Commission), the Commonwealth sold to the Tobacco Settlement Financing Corporation (Corporation) 25 percent of its future right, title and interest in the Tobacco Settlement Revenues (TSRs). Specifically, these rights include half of the 50 percent share of the TSRs received by the Commission starting May 15, 2005, and in perpetuity under the Master Settlement Agreement. The Commission is a discrete component unit of the Commonwealth and the Corporation is disclosed as a related organization.

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. The bonds of the Corporation are asset-backed instruments secured solely by the TSRs, and the Corporation's right to receive TSRs is expected to produce funding for its obligations.

## 32. PUBLIC-PRIVATE PARTNERSHIP

The Department of Taxation (Department) has entered into a partnership agreement with the American Management Systems, Inc. (AMS). The purpose of this partnership is to finance the Department's technology needs. As of June 30, 2004, enough revenue has been generated to fully fund the total contract cost. As of June 30, 2005, the Department has paid AMS $151.2 million towards the $171.6 million contract cost.

## 33. INTERGOVERNMENTAL TRANSFERS

In making payments under an approved Medicaid State Plan per Title XIX of the Social Security Act, Federal regulation allowed states to pay different rates to different classes of providers. The Virginia Medicaid State Plan allowed the Commonwealth, without violating the upper payment limit regulation, to make enhanced Medicaid payments to nursing homes, hospitals and clinics owned and operated by local governments. Payments were also made to state owned hospitals and health clinics. These enhanced payments were capped by an upper payment limit. The Department of Medical Assistance Services made these enhanced payments to locally owned hospitals, health clinics and nursing homes as well as state owned health clinics using "intergovernmental transfers." In fiscal year 2005, and previous fiscal years, this activity was reported in Other Special Revenue (nonmajor). The program of enhanced Medicaid payments to nursing homes, hospitals and clinics owned and operated by local government Intergovernmental Transfer transactions was ended by the Federal government on June 30, 2005

## 34. CONTINGENCIES

### A. Grants and Contracts

The Commonwealth has received Federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a Federal audit may become a liability of the Commonwealth.

Institutions of higher education (Component Units) and other State agencies are required to comply with various Federal regulations issued by the Office of Management and Budget, if such agencies

are recipients of Federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries in the Internal Service Funds. The U.S. DHHS has reviewed and approved the 2006 cost allocation plan, which is based on state fiscal year 2004 data. The Commonwealth believes this liability has the potential to total $1,612,063 as of June 30, 2005.

Virginia's combined overpayment and underpayment food stamp error rate for federal fiscal year 2004 was 6.59 percent. The national average combined error rate was 5.88 percent. There is a two year liability system in place, which was effective with Federal fiscal year 2003. Under this system, a liability amount is established when, for the second or subsequent consecutive fiscal year, USDA determines that there is a 95% statistical probability that a State's payment error rate exceeds 105% of the national performance measure. Virginia fell within this tolerance level for 2004 and therefore does not count as a first year of potential liability for our state.

**B. Litigation**

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

**C. Subject to Appropriation**

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $1.3 billion. The discretely presented component units have such debt of $641.5 million.

## 35. SUBSEQUENT EVENTS

**Primary Government**

In August 2005, principal and interest payments for the Pocahontas Parkway Association totaling $7,560,625 became due on the Senior Current Interest Bonds, Series 1998A, which were paid out of the Senior Bond Debt Service Account. On the same date, a principal payment of $2,300,000 became due on the First Tier Subordinated Capital Appreciation Bonds, Series 1998C. A draw of $450,000 was made on the First Tier Subordinated Debt Service Reserve Fund to enable the payment in accordance with the terms of the Master Indenture. In addition, a toll rate study has recommended a toll increase of $0.25 to be effective January 1, 2006.

In September 2005, the Commonwealth Transportation Board issued $250,000,000 in Federal Highway Reimbursement Anticipation Notes, Series 2005. The proceeds of the notes will be used by the Commonwealth to finance a portion of the costs of certain eligible Transportation Board projects.

In November 2005, Governor Mark R. Warner approved an interim agreement with Northrop Grumman Corporation to modernize the state's information technology infrastructure. The interim agreement approved by Governor Warner permits the state to plan the transition of IT infrastructure services to Northrop Grumman pending approval by the General Assembly for implementation. If approved by the General Assembly, the Commonwealth will enter into a ten-year, $2 billion contract to provide these services.

In November 2005, the Commonwealth issued $172,645,000 in General Obligation Bonds, Series 2005A to fund capital projects for educational facilities, parks and recreational facilities of the Commonwealth, and various institutions of higher education.

In November 2005, the Virginia Public Building Authority issued $165,810,000 in Public Facilities Revenue Bonds, Series 2005C to finance or refinance the acquisition, construction, improvement, rehabilitation, furnishing, and equipping of various public facilities for use by the Commonwealth and its agencies or the Commonwealth's share of various regional and local jails and juvenile detention facility projects.

**Component Units**

Subsequent to June 30, 2005, and through August 24, 2005, the Virginia Resource Authority closed four loans totaling $6,823,141 and increased an existing loan by $14,153,653.

In July 2005, the Virginia Housing Development Authority redeemed $6,130,000 in Multi-Family Housing Bonds and $46,120,000 in Commonwealth Mortgage Bonds.

In July 2005, the University of Virginia issued $193,335,000 in General Revenue Bonds, Series 2005. The 2005 Series was issued to refund University of Virginia 1998A 9(d) bonds with an outstanding par amount of $61,775,000, reducing the aggregate debt service by $4,395,470 and representing a net present value savings of $3,262,829. In addition, $84,963,000 was issued to refund the University's outstanding commercial paper program and $54,981,258 was issued to fund new construction on the grounds of the University of Virginia.

In August 2005, the Virginia Museum of Fine Arts Foundation issued Variable Rate Tax-exempt Revenue Bonds through the Virginia Small Business Financing Authority in the aggregate principle amount of $30,000,000. The bond proceeds will be used for the Museum's capital expansion project. The foundation also entered into a $30,000,000 fixed rate forward swap agreement with Wachovia Bank, N. A. in September 2005.

In September 2005, the Virginia Housing Development Authority redeemed $90,365,000 in Commonwealth Mortgage Bonds and $29,000,000 in Rental Housing Bonds.

In September 2005, the Virginia College Building Authority approved the issuance of up to $140 million in Educational Facilities Revenue Bonds, (Public Higher Education Financing Program), Series 2005A. The proceeds of the Series 2005A Bonds will be used to purchase institutional notes from higher education institutions. The institutions will in turn use the proceeds of the notes to finance capital projects.

In November 2005, the Virginia Public School Authority issued approximately $211.0 million of School Financing Bonds (1997 Resolution) Series 2005D to purchase certain general obligation local school bonds to finance capital projects for public schools.

# Required Supplementary Information

## Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | General Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | $ 7,773,900 | $ 8,002,700 | $ 8,352,366 | $ 349,666 |
| Sales and Use | 2,852,300 | 3,096,100 | 3,093,725 | (2,375) |
| Corporation Income | 407,700 | 549,000 | 616,690 | 67,690 |
| Public Service Corporations | 86,300 | 87,400 | 88,309 | 909 |
| Motor Fuel | - | - | - | - |
| Motor Vehicle Sales and Use | - | - | - | - |
| Premiums of Insurance Companies | 381,200 | 381,000 | 373,571 | (7,429) |
| Other Taxes | 758,330 | 965,300 | 1,045,283 | 79,983 |
| Rights and Privileges | 52,700 | 57,300 | 60,975 | 3,675 |
| Sales of Property and Commodities | 100 | 11,200 | 11,778 | 578 |
| Assessments and Receipts for Support of Special Services | 400 | 400 | 333 | (67) |
| Institutional Revenue | 9,300 | 8,600 | 9,198 | 598 |
| Interest, Dividends, and Rents | 80,700 | 80,182 | 102,794 | 22,612 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 179,031 | 178,731 | 181,116 | 2,385 |
| Federal Grants and Contracts | - | - | - | - |
| Receipts from Cities, Counties, and Towns | 9,600 | 9,200 | 9,446 | 246 |
| Private Donations, Gifts and Contracts | - | - | 1 | 1 |
| Tobacco Master Settlement | 50,476 | 50,500 | 52,126 | 1,626 |
| Other | 89,714 | 110,970 | 142,978 | 32,008 |
| Total Revenues | 12,731,751 | 13,588,583 | 14,140,689 | 552,106 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 1,668,654 | 1,533,591 | 1,484,308 | 49,283 |
| Education | 6,271,294 | 6,283,117 | 6,242,886 | 40,231 |
| Transportation | 77,484 | 44 | 44 | - |
| Resources and Economic Development | 248,770 | 247,533 | 234,857 | 12,676 |
| Individual and Family Services | 3,216,392 | 3,402,280 | 3,348,455 | 53,825 |
| Administration of Justice | 2,025,209 | 2,065,812 | 2,042,773 | 23,039 |
| Capital Outlay | 14,971 | 63,755 | 25,368 | 38,387 |
| Total Expenditures | 13,522,774 | 13,596,132 | 13,378,691 | 217,441 |
| Revenues Over (Under) Expenditures | (791,023) | (7,549) | 761,998 | 769,547 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers: | | | | |
| Transfers In | 584,077 | 624,973 | 636,063 | 11,090 |
| Transfers Out | (206,419) | (593,733) | (642,289) | (48,556) |
| Total Other Financing Sources (Uses) | 377,658 | 31,240 | (6,226) | (37,466) |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | (413,365) | 23,691 | 755,772 | 732,081 |
| **Fund Balance, July 1, as restated** | 1,109,571 | 1,109,571 | 1,109,571 | - |
| **Fund Balance, June 30** | $ 696,206 | $ 1,133,262 | $ 1,865,343 | $ 732,081 |

See notes on page 161 in this section.

| Special Revenue Funds | | | |
|---|---|---|---|
| Commonwealth Transportation Fund | | | |
| Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| | | | |
| | | | |
| $ - | $ - | $ - | $ - |
| 417,500 | 437,600 | 431,138 | (6,462) |
| - | - | - | - |
| - | - | - | - |
| 880,500 | 878,900 | 881,600 | 2,700 |
| 600,200 | 620,300 | 598,753 | (21,547) |
| - | - | - | - |
| - | - | 14,094 | 14,094 |
| 209,600 | 228,700 | 468,486 | 239,786 |
| - | - | 3,758 | 3,758 |
| - | - | 18,410 | 18,410 |
| - | - | - | - |
| 15,400 | 15,300 | 35,506 | 20,206 |
| - | - | 10,613 | 10,613 |
| 764,800 | 764,800 | 501,020 | (263,780) |
| 43,700 | 43,700 | 75,653 | 31,953 |
| - | - | - | - |
| - | - | - | - |
| 85,600 | 82,500 | 40,086 | (42,414) |
| 3,017,300 | 3,071,800 | 3,079,117 | 7,317 |
| | | | |
| | | | |
| | | | |
| 1,672 | 1,706 | 1,705 | 1 |
| - | 2,173 | 2,233 | (60) |
| 3,076,781 | 4,017,854 | 3,057,595 | 960,259 |
| 20,728 | 18,908 | 13,549 | 5,359 |
| - | - | - | - |
| 7,221 | 7,221 | 6,631 | 590 |
| 52,723 | 63,615 | 18,818 | 44,797 |
| 3,159,125 | 4,111,477 | 3,100,531 | 1,010,946 |
| (141,825) | (1,039,677) | (21,414) | 1,018,263 |
| | | | |
| | | | |
| | | | |
| - | 339,119 | 388,014 | 48,895 |
| (153,406) | (381,297) | (273,344) | 107,953 |
| (153,406) | (42,178) | 114,670 | 156,848 |
| | | | |
| (295,231) | (1,081,855) | 93,256 | 1,175,111 |
| 1,302,964 | 1,302,964 | 1,302,964 | - |
| $ 1,007,733 | $ 221,109 | $ 1,396,220 | $ 1,175,111 |

*Continued on next page*

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds** *(Continued from previous page)*

Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Federal Trust | | | |
| | Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | $ - | $ - | $ - | $ - |
| Sales and Use | - | - | - | - |
| Corporation Income | - | - | - | - |
| Public Service Corporations | - | - | - | - |
| Motor Fuel | - | - | - | - |
| Motor Vehicle Sales and Use | - | - | - | - |
| Premiums of Insurance Companies | - | - | - | - |
| Other Taxes | - | - | - | - |
| Rights and Privileges | 87 | 70 | 37 | (33) |
| Sales of Property and Commodities | 294 | 175 | 178 | 3 |
| Assessments and Receipts for Support of Special Services | - | - | - | - |
| Institutional Revenue | - | - | - | - |
| Interest, Dividends, and Rents | 358 | 374 | 1,498 | 1,124 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 41 | 95 | 151 | 56 |
| Federal Grants and Contracts | 4,445,322 | 5,011,642 | 5,065,965 | 54,323 |
| Receipts from Cities, Counties, and Towns | - | - | - | - |
| Private Donations, Gifts and Contracts | - | - | - | - |
| Tobacco Master Settlement | - | - | - | - |
| Other | 75,159 | 51,928 | 77,474 | 25,546 |
| Total Revenues | 4,521,261 | 5,064,284 | 5,145,303 | 81,019 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 73,310 | 156,592 | 108,014 | 48,578 |
| Education | 430,512 | 578,445 | 560,797 | 17,648 |
| Transportation | 19,012 | 15,892 | 14,314 | 1,578 |
| Resources and Economic Development | 221,485 | 245,772 | 191,581 | 54,191 |
| Individual and Family Services | 3,692,496 | 3,967,377 | 4,179,732 | (212,355) |
| Administration of Justice | 49,648 | 65,829 | 54,213 | 11,616 |
| Capital Outlay | 34,755 | 34,334 | 15,861 | 18,473 |
| Total Expenditures | 4,521,218 | 5,064,241 | 5,124,512 | (60,271) |
| Revenues Over (Under) Expenditures | 43 | 43 | 20,791 | 20,748 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers: | | | | |
| Transfers In | - | - | 5,295 | 5,295 |
| Transfers Out | (43) | (43) | (26,086) | (26,043) |
| Total Other Financing Sources (Uses) | (43) | (43) | (20,791) | (20,748) |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | - | - | - |
| **Fund Balance, July 1, as restated** | - | - | - | - |
| **Fund Balance, June 30** | $ - | $ - | $ - | $ - |

See notes on page 161 in this section.

## Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

### 1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2005, to the fund balance on a modified accrual basis follows.

**Fund Balance Comparison**
**Budgetary Basis to GAAP Basis**
June 30, 2005

*(Dollars in Thousands)*

| | General Fund | Commonwealth Transportation Fund | Federal Trust Fund |
|---|---|---|---|
| Fund Balance, Basis of Budgeting | $ 1,865,343 | $ 1,396,220 | $ - |
| Adjustments from Budget to Modified Accrual, Undesignated: | | | |
| Accrued Revenues: | | | |
| Taxes | 500,993 | 91,690 | - |
| Tax Refunds | (213,715) | - | - |
| Other Revenue/Other Sources | 13,297 | 98,574 | 370,659 |
| Deferred Taxes (2) | (262,688) | - | - |
| Medicaid Payable | (186,739) | - | (189,024) |
| Accrued Expenditures/Other Uses | (487,466) | (224,740) | (119,353) |
| Fund Balance, Modified Accrual Basis | $ 1,229,025 | $ 1,361,744 | $ 62,282 |

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.Q.

### 2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2005, except the Literary Fund which has no approved budget.

| *(Dollars in Thousands)* | General Fund (9) | Commonwealth Transportation Fund (11) | Federal Trust Fund (10) |
|---|---|---|---|
| Appropriations (1) | $ 13,522,774 | $ 3,266,732 | $ 4,521,218 |
| Supplemental Appropriations: | | | |
| Reappropriations (2) | 78,146 | 53,236 | 45,655 |
| Subsequent Executive (3) | 84,122 | 756,001 | 407,322 |
| Subsequent Legislative (4) | 491,323 | 35,845 | 177,376 |
| Capital Outlay and Operating Reversions (5) | (4,118) | (30) | (527) |
| Deficit (6) | 44,667 | - | - |
| Transfers (7) | (551,793) | 378,220 | (37,541) |
| Capital Outlay Adjustment (8) | (68,989) | (38,952) | (49,262) |
| Appropriations, as adjusted | $ 13,596,132 | $ 4,451,052 | $ 5,064,241 |

1. Represents the budget appropriated through Chapter 951, 2005 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents additional appropriations authorized by the Governor to prevent an agency from incurring a deficit. The deficit appropriation is primarily attributable to $36.2 million to address a shortfall in the Title IV-E Foster Care and Adoption Subsidy program at the Department of Social Services and $6.1 million for the Geographic Information Network Division start-up costs at the Virginia Information Technologies Agency.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately $1.3 billion (General Fund) for transfers to component units that have been reclassified as expenditures in accordance with GASB Statement No. 34.
8. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
9. Prior year reversions of $2,584,895 are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
10. Appropriations do not include food stamp issuances of $484 million since this is a noncash item; however, this amount is included in actual expenditures.
11. The Special Revenue Commonwealth Transportation Fund appropriations as reported in the Budget/Actual statement do not include debt service amounts of $339.6 million. These amounts are included above.

## Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

| Biennial Actuarial Valuation Date June 30 | Actuarial Value of Assets [a] | Actuarial Accrued Liability (AAL) - Entry Age [b] | Unfunded AAL (UAAL) [b-a] | Funded Ratio [a/b] | Covered Payroll [c] | UAAL as a Percentage of Covered Payroll [b-a]/[c] |
|---|---|---|---|---|---|---|
| | | | ***Virginia Retirement System (VRS) ***** | | | |
| 2004 | $ 39,691 | $ 43,958 | $ 4,267 | 90.3% | $ 11,510 | 37.1% |
| 2003 | 39,243 | 40,698 | 1,455 | 96.4% | 10,885 | 13.4% |
| 2002 | 38,957 | 38,265 | (692) | 101.8% | 10,669 | (6.5%) |
| 2001 | 37,968 | 35,384 | (2,584) | 107.3% | 10,145 | (25.5%) |
| * 2000 | 34,392 | 32,643 | (1,749) | 105.4% | 9,529 | (18.2%) |
| 1999 | 29,804 | 31,419 | 1,615 | 94.9% | 9,138 | 17.7% |
| ** 1998 | 25,481 | 29,027 | 3,546 | 87.8% | 8,638 | 41.1% |
| * 1996 | 19,032 | 23,842 | 4,810 | 79.8% | 7,769 | 61.9% |
| 1994 | 14,891 | 20,405 | 5,514 | 73.0% | 7,274 | 75.8% |
| | | | ***State Police Officers' Retirement System (SPORS)*** | | | |
| 2004 | $ 511 | $ 656 | $ 145 | 77.9% | $ 82 | 176.8% |
| 2003 | 509 | 616 | 107 | 82.6% | 79 | 135.4% |
| 2002 | 508 | 595 | 87 | 85.4% | 81 | 107.4% |
| 2001 | 495 | 557 | 62 | 88.9% | 83 | 74.7% |
| * 2000 | 441 | 513 | 72 | 86.0% | 81 | 88.9% |
| 1999 | 377 | 463 | 86 | 81.4% | 77 | 111.7% |
| ** 1998 | 322 | 425 | 103 | 75.8% | 65 | 158.5% |
| * 1996 | 243 | 371 | 128 | 65.5% | 60 | 213.3% |
| 1994 | 201 | 277 | 76 | 72.6% | 58 | 131.0% |
| | | | ***Virginia Law Officers' Retirement System (VaLORS)*** | | | |
| 2004 | $ 509 | $ 927 | $ 418 | 54.9% | $ 298 | 140.3% |
| 2003 | 458 | 854 | 396 | 53.6% | 292 | 135.6% |
| 2002 | 418 | 806 | 388 | 51.9% | 306 | 126.8% |
| 2001 | 393 | 628 | 235 | 62.6% | 320 | 73.4% |
| *** 2000 | 307 | 680 | 373 | 45.1% | 315 | 118.4% |
| | | | ***Judicial Retirement System (JRS)*** | | | |
| 2004 | $ 285 | $ 366 | $ 81 | 77.9% | $ 48 | 168.8% |
| 2003 | 282 | 348 | 66 | 81.0% | 48 | 137.5% |
| 2002 | 281 | 352 | 71 | 79.8% | 48 | 147.9% |
| 2001 | 277 | 342 | 65 | 81.0% | 47 | 138.3% |
| * 2000 | 245 | 330 | 85 | 74.2% | 45 | 188.9% |
| 1999 | 210 | 302 | 92 | 69.5% | 42 | 219.0% |
| ** 1998 | 180 | 274 | 94 | 65.7% | 39 | 241.0% |
| * 1996 | 138 | 243 | 105 | 56.8% | 36 | 291.7% |
| 1994 | 115 | 199 | 84 | 57.8% | 33 | 254.5% |

* Revised economic and demographic assumptions due to experience study.

** Change in benefit formula, unreduced early retirement age and in the actuarial amortization method.

*** The first actuarial valuation for the Virginia Law Officers' Retirement System, established on October 1, 1999, was performed as of June 30, 2000.

See Notes on following page.

| | | |
|---|---|---|
| Notes: | Valuation Date: | June 30, 2004 |
| | Actuarial Cost Method: | Entry Age Normal |
| | Amortization Method: | |
| | State Employees | Level percent, closed |
| | Political Subdivision Employees | Level percent, open |
| | Teachers | Level percent, closed |
| | State Police / VA Law Officers / Judges | Level percent, closed |
| | Payroll Growth Rate: | 3.00% |
| | Remaining Amortization Period: | |
| | State Employees | 22 years |
| | Political Subdivision Employees | 0 to 30 years |
| | Teachers | 22 years |
| | State Police / VA Law Officers / Judges | 22 years |
| | Asset Valuation Method: | 5 year Smoothed Market |
| | Actuarial Assumptions: | |
| | Investment Rate of Return (1) | 8.00% |
| | Projected Salary Increases (1) | |
| | State / Political Subdivision Employees | 4.25% to 6.30% |
| | Teachers | 4.00% to 7.00% |
| | State Police / VA Law Officers | 4.50% to 5.75% |
| | Judges | 5.00% |
| | Cost of Living Adjustments | 3.00% |

(1) Includes inflation at 3.00%.

## Claims Development Information – Risk Management

(Dollars in Thousands)

**Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses**

| Fiscal and Policy Year Ended | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| 1. Required contribution and investment revenue: | | | | |
| Earned | $ 6,875 | $ 6,664 | $ 7,537 | $ 6,780 |
| Ceded (a) | - | - | - | - |
| Net earned | 6,875 | 6,664 | 7,537 | 6,780 |
| 2. Unallocated expenses | 595 | 453 | 464 | 703 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 3,706 | 2,095 | 2,760 | 2,719 |
| Ceded (a) | - | - | - | - |
| Net incurred | 3,706 | 2,095 | 2,760 | 2,719 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 254 | 286 | 434 | 439 |
| One year later | 1,995 | 1,680 | 2,651 | 2,100 |
| Two years later | 3,312 | 2,602 | 3,261 | 2,938 |
| Three years later | 4,385 | 2,907 | 3,894 | 4,555 |
| Four years later | 4,605 | 3,028 | 4,183 | 4,873 |
| Five years later | 4,684 | 2,965 | 4,272 | 4,931 |
| Six years later | 4,559 | 3,063 | 4,314 | 5,144 |
| Seven years later | 4,613 | 3,065 | 4,327 | |
| Eight years later | 4,614 | 3,089 | | |
| Nine years later | 4,614 | | | |
| 5. Reestimated ceded claims and expenses (a) | - | - | - | - |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 3,706 | 2,095 | 2,760 | 2,719 |
| One year later | 3,977 | 3,352 | 4,080 | 5,509 |
| Two years later | 4,957 | 3,160 | 3,934 | 5,997 |
| Three years later | 5,016 | 3,300 | 4,565 | 5,769 |
| Four years later | 4,936 | 3,314 | 4,353 | 5,146 |
| Five years later | 4,966 | 3,052 | 4,378 | 5,955 |
| Six years later | 4,689 | 3,180 | 4,419 | 6,017 |
| Seven years later | 4,621 | 3,180 | 4,383 | |
| Eight years later | 4,622 | 3,089 | | |
| Nine years later | 4,614 | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | 908 | 994 | 1,623 | 3,298 |

The Commonwealth provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987. For fiscal years 1992-2000, this insurance coverage was provided through the Department of General Services, Division of Risk Management. Effective July 1, 2000, this coverage was provided through the Department of Treasury, Division of Risk Management.

See Notes on page 168 in this section.

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| $ 6,478 | $ 5,814 | $ 5,324 | $ 5,740 | $ 5,729 | $ 5,788 |
| - | - | - | - | - | - |
| 6,478 | 5,814 | 5,324 | 5,740 | 5,729 | 5,788 |
| 1,223 | 1,863 | 924 | 918 | 1,209 | 1,068 |
| 2,263 | 2,688 | 4,110 | 3,488 | 2,861 | 2,790 |
| - | - | - | - | - | - |
| 2,263 | 2,688 | 4,110 | 3,488 | 2,861 | 2,790 |
| 196 | 336 | 550 | 380 | 161 | 227 |
| 2,688 | 1,628 | 1,979 | 1,894 | 1,072 | |
| 3,322 | 2,388 | 2,291 | 2,181 | | |
| 3,369 | 2,490 | 2,556 | | | |
| 3,447 | 2,530 | | | | |
| 4,042 | | | | | |
| - | - | - | - | - | - |
| 2,263 | 2,688 | 4,110 | 3,488 | 2,861 | 2,790 |
| 4,801 | 3,752 | 4,458 | 3,237 | 3,302 | |
| 4,467 | 3,318 | 4,196 | 2,910 | | |
| 3,589 | 3,270 | 3,734 | | | |
| 3,575 | 3,186 | | | | |
| 4,211 | | | | | |
| 1,948 | 498 | (376) | (578) | 441 | - |

## Claims Development Information – Health Care

(Dollars in Thousands)

**Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses**

| Fiscal and Policy Year Ended | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| 1. Required contribution and investment revenue: | | | | |
| Earned | $ 38,321 | $ 48,493 | $ 54,089 | $ 64,419 |
| Ceded (a) | - | - | - | - |
| Net earned | 38,321 | 48,493 | 54,089 | 64,419 |
| 2. Unallocated expenses | 3,305 | 4,445 | 5,286 | 6,632 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 41,232 | 46,895 | 60,657 | 70,719 |
| Ceded (a) | - | - | - | - |
| Net incurred | 41,232 | 46,895 | 60,657 | 70,719 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 39,276 | 40,631 | 53,219 | 62,219 |
| One year later | 41,232 | 46,895 | - | - |
| Two years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 5. Reestimated ceded claims and expenses (a) | - | - | - | - |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 41,232 | 46,895 | 60,657 | 70,719 |
| One year later | 41,232 | 46,895 | 60,657 | 70,719 |
| Two years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | - | - | - | - |

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 168 in this section.

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| $ 75,569 | $ 88,313 | $ 100,836 | $ 118,825 | $ 137,582 | $ 157,959 |
| - | - | - | - | - | - |
| 75,569 | 88,313 | 100,836 | 118,825 | 137,582 | 157,959 |
| 6,997 | 7,203 | 6,225 | 6,171 | 6,271 | 10,655 |
| 76,816 | 87,222 | 95,860 | 104,453 | 124,887 | 144,976 |
| - | - | - | - | - | - |
| 76,816 | 87,222 | 95,860 | 104,453 | 124,887 | 144,976 |
| 68,336 | 74,579 | 80,974 | 99,443 | 99,656 | 140,452 |
| - | - | - | - | - | - |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| - | - | - | - | - | - |
| 74,417 | 87,222 | 95,860 | 104,453 | 124,887 | 144,976 |
| 74,417 | 87,222 | 95,860 | 104,453 | 124,887 | 144,976 |
| N/A | N/A | N/A | N/A | N/A | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| (2,399) | - | - | - | - | - |

## Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the Funds, including overhead and claims expense not allocable to individual claims.

3. This line shows the Funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

(a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

# Combining and Individual Fund Statements and Schedules

# Nonmajor Governmental Funds

**Special Revenue Funds:**

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

**The Dedicated Special Revenue Fund** accounts for revenues and expenditures associated with a dedicated funding source and use.

**The Other Special Revenue Fund** accounts for revenues and expenditures related to local health care assistance, business and agricultural activities, and miscellaneous activities throughout the Commonwealth. In addition, federal funds received from Medicaid intergovernmental transfers and for the Commonwealth's share of claims are reported in this fund.

**Debt Service Funds:**

*The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Assets.*

**Primary Government** accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, mental health, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

**Capital Project Funds:**

*The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.*

**Primary Government** accounts for the financial resources acquired through the issuance of General Obligation Bonds. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

**Permanent Funds:**

*Permanent Funds are funds whose principal must remain intact.*

**Commonwealth Health Research Fund** provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such.

**Mental Health Endowment Funds** provide funds for the welfare of patients in mental health facilities. The entire fund balance is restricted for use as such.

## Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2005
(Dollars in Thousands)

| | Special Revenue Funds | | |
|---|---|---|---|
| | Dedicated | Other | Total |
| **Assets** | | | |
| Cash and Cash Equivalents | $ 241,171 | $ 323,551 | $ 564,722 |
| Investments | 10,941 | 12,002 | 22,943 |
| Receivables | 7,345 | 66,611 | 73,956 |
| Due From Other Funds | 27 | 7,518 | 7,545 |
| Interfund Receivable | - | 70,019 | 70,019 |
| Inventory | 99 | 4,621 | 4,720 |
| Other Assets | 651 | 547 | 1,198 |
| Loans Receivable from Component Units | - | 13,595 | 13,595 |
| Total Assets | $ 260,234 | $ 498,464 | $ 758,698 |
| **Liabilities and Fund Balances** | | | |
| Accounts Payable | $ 12,807 | $ 32,611 | $ 45,418 |
| Amounts Due to Other Governments | 379 | - | 379 |
| Due to Other Funds | 1,448 | 11,693 | 13,141 |
| Due to Component Units | - | 400 | 400 |
| Interfund Payable | 3,350 | - | 3,350 |
| Deferred Revenue | 1,142 | 6,977 | 8,119 |
| Unearned Revenue | 1,029 | 4,814 | 5,843 |
| Obligations Under Securities Lending Program | 26,996 | 29,826 | 56,822 |
| Other Liabilities | 1,692 | 1,892 | 3,584 |
| Long-term Liabilities | 30 | 208 | 238 |
| Total Liabilities | 48,873 | 88,421 | 137,294 |
| Fund Balances Reserved for: | | | |
| Inventory | 99 | 4,621 | 4,720 |
| Debt Service | - | - | - |
| Gifts and Grants | 1,032 | 12,359 | 13,391 |
| Capital Acquisition | - | 516 | 516 |
| Fund Balances Unreserved, Reported in: | | | |
| Special Revenue Funds | 210,230 | 392,547 | 602,777 |
| Capital Projects Funds | - | - | - |
| Permanent Funds | - | - | - |
| Total Fund Balances | 211,361 | 410,043 | 621,404 |
| Total Liabilities and Fund Balances | $ 260,234 | $ 498,464 | $ 758,698 |

| Debt Service Funds | | | Capital Project Funds | | |
|---|---|---|---|---|---|
| Primary Government | Virginia Public Building Authority | Total | Primary Government | Virginia Public Building Authority | Total |
| $ 75,535 | $ 559 | $ 76,094 | $ 91,101 | $ - | $ 91,101 |
| - | - | - | 588 | 2,696 | 3,284 |
| - | 1 | 1 | - | 232 | 232 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| $ 75,535 | $ 560 | $ 76,095 | $ 91,689 | $ 2,928 | $ 94,617 |
| | | | | | |
| $ - | $ - | $ - | $ 3,850 | $ 36,016 | $ 39,866 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 14,507 | 257 | 14,764 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 555 | - | 555 |
| 15 | 505 | 520 | - | - | - |
| - | - | - | - | - | - |
| 15 | 505 | 520 | 18,912 | 36,273 | 55,185 |
| | | | | | |
| - | - | - | - | - | - |
| 75,520 | 55 | 75,575 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 72,777 | - | 72,777 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | (33,345) | (33,345) |
| - | - | - | - | - | - |
| 75,520 | 55 | 75,575 | 72,777 | (33,345) | 39,432 |
| $ 75,535 | $ 560 | $ 76,095 | $ 91,689 | $ 2,928 | $ 94,617 |

*Continued on next page*

**Combining Balance Sheet – Nonmajor Governmental Funds** *(Continued from previous page)*

June 30, 2005
(Dollars in Thousands)

| | Permanent Funds | | | |
|---|---|---|---|---|
| | Commonwealth Health Research Board | Mental Health Endowment Funds | Total | Total Nonmajor Governmental Funds |
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 68 | $ 159 | $ 227 | $ 732,144 |
| Investments | 28,219 | 89 | 28,308 | 54,535 |
| Receivables | 2 | - | 2 | 74,191 |
| Due From Other Funds | - | - | - | 7,545 |
| Interfund Receivable | - | - | - | 70,019 |
| Inventory | - | - | - | 4,720 |
| Other Assets | - | - | - | 1,198 |
| Loans Receivable from Component Units | - | - | - | 13,595 |
| Total Assets | $ 28,289 | $ 248 | $ 28,537 | $ 957,947 |
| **Liabilities and Fund Balances** | | | | |
| Accounts Payable | $ 10 | $ - | $ 10 | $ 85,294 |
| Amounts Due to Other Governments | - | - | - | 379 |
| Due to Other Funds | - | - | - | 13,141 |
| Due to Component Units | - | - | - | 15,164 |
| Interfund Payable | - | - | - | 3,350 |
| Deferred Revenue | - | - | - | 8,119 |
| Unearned Revenue | - | - | - | 5,843 |
| Obligations Under Securities Lending Program | 16 | - | 16 | 57,393 |
| Other Liabilities | - | - | - | 4,104 |
| Long-term Liabilities | - | - | - | 238 |
| Total Liabilities | 26 | - | 26 | 193,025 |
| Fund Balances Reserved for: | | | | |
| Inventory | - | - | - | 4,720 |
| Debt Service | - | - | - | 75,575 |
| Gifts and Grants | - | - | - | 13,391 |
| Capital Acquisition | - | - | - | 73,293 |
| Fund Balances Unreserved, Reported in: | | | | |
| Special Revenue Funds | - | - | - | 602,777 |
| Capital Projects Funds | - | - | - | (33,345) |
| Permanent Funds | 28,263 | 248 | 28,511 | 28,511 |
| Total Fund Balances | 28,263 | 248 | 28,511 | 764,922 |
| Total Liabilities and Fund Balances | $ 28,289 | $ 248 | $ 28,537 | $ 957,947 |

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

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Special Revenue Funds | | |
|---|---|---|---|
| | Dedicated | Other | Total |
| **Revenues** | | | |
| Taxes | $ 51,356 | $ 19,175 | $ 70,531 |
| Rights and Privileges | 71,979 | 155,950 | 227,929 |
| Institutional Revenue | 8,763 | 306,521 | 315,284 |
| Interest, Dividends, Rents, and Other Investment Income | 3,583 | 9,627 | 13,210 |
| Federal Grants and Contracts | - | 36,656 | 36,656 |
| Other | 76,757 | 301,918 | 378,675 |
| Total Revenues | 212,438 | 829,847 | 1,042,285 |
| **Expenditures** | | | |
| Current: | | | |
| General Government | 39,864 | 54,840 | 94,704 |
| Education | 1,560 | 23,031 | 24,591 |
| Transportation | 10,317 | 5,223 | 15,540 |
| Resources and Economic Development | 83,290 | 188,913 | 272,203 |
| Individual and Family Services | 47,516 | 503,654 | 551,170 |
| Administration of Justice | 40,882 | 27,327 | 68,209 |
| Capital Outlay | 714 | 5,914 | 6,628 |
| Debt Service: | | | |
| Principal Retirement | - | - | - |
| Interest and Charges | - | - | - |
| Total Expenditures | 224,143 | 808,902 | 1,033,045 |
| Revenues Over (Under) Expenditures | (11,705) | 20,945 | 9,240 |
| **Other Financing Sources (Uses)** | | | |
| Transfers In | 52,219 | 58,337 | 110,556 |
| Transfers Out | (29,964) | (49,452) | (79,416) |
| Bonds Issued | - | - | - |
| Premium on Bond Issuance | - | - | - |
| Refunding Bonds Issued | - | - | - |
| Payment to Refunded Bond Escrow Agent | - | - | - |
| Total Other Financing Sources (Uses) | 22,255 | 8,885 | 31,140 |
| Net Change in Fund Balances | 10,550 | 29,830 | 40,380 |
| Fund Balance (Deficit), July 1, as restated | 200,811 | 380,213 | 581,024 |
| Fund Balance (Deficit), June 30 | $ 211,361 | $ 410,043 | $ 621,404 |

| Debt Service Funds | | | Capital Project Funds | | |
|---|---|---|---|---|---|
| Primary Government | Virginia Public Building Authority | Total | Primary Government | Virginia Public Building Authority | Total |
| $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 907 | 11 | 918 | 2,918 | 3,069 | 5,987 |
| - | - | - | - | - | - |
| 7,531 | - | 7,531 | 793 | - | 793 |
| 8,438 | 11 | 8,449 | 3,711 | 3,069 | 6,780 |
| | | | | | |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 222 | - | 222 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 118,278 | 221,678 | 339,956 |
| | | | | | |
| 188,313 | 61,025 | 249,338 | - | - | - |
| 122,756 | 41,941 | 164,697 | - | - | - |
| 311,291 | 102,966 | 414,257 | 118,278 | 221,678 | 339,956 |
| (302,853) | (102,955) | (405,808) | (114,567) | (218,609) | (333,176) |
| | | | | | |
| 302,433 | 100,482 | 402,915 | - | - | - |
| - | - | - | - | (44) | (44) |
| - | - | - | 167,945 | 207,065 | 375,010 |
| 36,232 | 24,905 | 61,137 | 11,075 | 11,941 | 23,016 |
| 402,785 | 328,700 | 731,485 | - | - | - |
| (437,165) | (352,420) | (789,585) | - | - | - |
| 304,285 | 101,667 | 405,952 | 179,020 | 218,962 | 397,982 |
| | | | | | |
| 1,432 | (1,288) | 144 | 64,453 | 353 | 64,806 |
| 74,088 | 1,343 | 75,431 | 8,324 | (33,698) | (25,374) |
| $ 75,520 | $ 55 | $ 75,575 | $ 72,777 | $ (33,345) | $ 39,432 |

*Continued on next page*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Permanent Funds | | | |
|---|---|---|---|---|
| | Commonwealth Health Research Board | Mental Health Endowment Funds | Total | Total Nonmajor Governmental Funds |
| **Revenues** | | | | |
| Taxes | $ - | $ - | $ - | $ 70,531 |
| Rights and Privileges | - | - | - | 227,929 |
| Institutional Revenue | - | - | - | 315,284 |
| Interest, Dividends, Rents, and Other Investment Income | 2,012 | 4 | 2,016 | 22,131 |
| Federal Grants and Contracts | - | - | - | 36,656 |
| Other | - | - | - | 386,999 |
| Total Revenues | 2,012 | 4 | 2,016 | 1,059,530 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | - | - | - | 94,704 |
| Education | - | - | - | 24,591 |
| Transportation | - | - | - | 15,762 |
| Resources and Economic Development | - | - | - | 272,203 |
| Individual and Family Services | 932 | 7 | 939 | 552,109 |
| Administration of Justice | - | - | - | 68,209 |
| Capital Outlay | - | - | - | 346,584 |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | 249,338 |
| Interest and Charges | - | - | - | 164,697 |
| Total Expenditures | 932 | 7 | 939 | 1,788,197 |
| Revenues Over (Under) Expenditures | 1,080 | (3) | 1,077 | (728,667) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 1 | - | 1 | 513,472 |
| Transfers Out | - | - | - | (79,460) |
| Bonds Issued | - | - | - | 375,010 |
| Premium on Bond Issuance | - | - | - | 84,153 |
| Refunding Bonds Issued | - | - | - | 731,485 |
| Payment to Refunded Bond Escrow Agent | - | - | - | (789,585) |
| Total Other Financing Sources (Uses) | 1 | - | 1 | 835,075 |
| Net Change in Fund Balances | 1,081 | (3) | 1,078 | 106,408 |
| Fund Balance (Deficit), July 1, as restated | 27,182 | 251 | 27,433 | 658,514 |
| Fund Balance (Deficit), June 30 | $ 28,263 | $ 248 | $ 28,511 | $ 764,922 |

## Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Dedicated | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Public Service Corporations | $ - | $ - | $ - | $ - |
| Motor Fuel | 35,900 | 38,575 | 36,918 | (1,657) |
| Other Taxes | 14,212 | 15,652 | 14,976 | (676) |
| Rights and Privileges | 52,652 | 78,167 | 71,870 | (6,297) |
| Sales of Property and Commodities | 2,783 | 3,390 | 2,541 | (849) |
| Assessments and Receipts for Support of Special Services | 7,429 | 11,276 | 10,377 | (899) |
| Institutional Revenue | 16,097 | 15,770 | 8,771 | (6,999) |
| Interest, Dividends, and Rents | 2,783 | 1,662 | 3,588 | 1,926 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 25,824 | 40,821 | 38,599 | (2,222) |
| Federal Grants and Contracts | - | - | - | - |
| Receipts from Cities, Counties, and Towns | 722 | 705 | 602 | (103) |
| Private Donations, Gifts and Contracts | 1,355 | 1,400 | 1,737 | 337 |
| Other | 25,281 | 25,912 | 23,838 | (2,074) |
| Total Revenues | 185,038 | 233,330 | 213,817 | (19,513) |
| | | | | |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 19,632 | 49,038 | 39,346 | 9,692 |
| Education | 2,917 | 3,150 | 1,567 | 1,583 |
| Transportation | 13,896 | 15,896 | 10,026 | 5,870 |
| Resources and Economic Development | 84,004 | 116,488 | 85,978 | 30,510 |
| Individual and Family Services | 56,560 | 59,798 | 47,177 | 12,621 |
| Administration of Justice | 44,333 | 49,728 | 40,268 | 9,460 |
| Capital Outlay | 1,409 | 2,104 | 711 | 1,393 |
| Total Expenditures | 222,751 | 296,202 | 225,073 | 71,129 |
| Revenues Over (Under) Expenditures | (37,713) | (62,872) | (11,256) | 51,616 |
| | | | | |
| **Other Financing Sources (Uses):** | | | | |
| Transfers: | | | | |
| Transfers In | 14,066 | 43,656 | 52,218 | 8,562 |
| Transfers Out | (13,776) | (19,906) | (29,964) | (10,058) |
| Total Other Financing Sources (Uses) | 290 | 23,750 | 22,254 | (1,496) |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | (37,423) | (39,122) | 10,998 | 50,120 |
| **Fund Balance, July 1, as restated** | 210,596 | 210,596 | 210,596 | - |
| **Fund Balance, June 30** | $ 173,173 | $ 171,474 | $ 221,594 | $ 50,120 |

See Notes on page 182 in this section.

| Other | | | |
|---|---|---|---|
| Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| $ - | $ - | $ 6,079 | $ 6,079 |
| - | - | - | - |
| 16,660 | 16,826 | 13,334 | (3,492) |
| 159,578 | 169,119 | 145,778 | (23,341) |
| 19,474 | 19,266 | 18,952 | (314) |
| 104,918 | 90,084 | 75,846 | (14,238) |
| 285,309 | 315,492 | 307,650 | (7,842) |
| 9,336 | 5,806 | 9,241 | 3,435 |
| 10,947 | 12,292 | 14,685 | 2,393 |
| - | - | 36,656 | 36,656 |
| 56,055 | 58,244 | 76,247 | 18,003 |
| 3,003 | 3,736 | 19,625 | 15,889 |
| 229,355 | 139,951 | 90,301 | (49,650) |
| 894,635 | 830,816 | 814,394 | (16,422) |
| | | | |
| | | | |
| | | | |
| 32,798 | 65,178 | 54,690 | 10,488 |
| 27,153 | 27,673 | 22,858 | 4,815 |
| 6,503 | 6,684 | 5,334 | 1,350 |
| 210,340 | 242,385 | 187,959 | 54,426 |
| 403,994 | 495,980 | 502,819 | (6,839) |
| 17,603 | 23,751 | 26,730 | (2,979) |
| 16,275 | 26,608 | 6,910 | 19,698 |
| 714,666 | 888,259 | 807,300 | 80,959 |
| 179,969 | (57,443) | 7,094 | 64,537 |
| | | | |
| | | | |
| | | | |
| 13,340 | 44,321 | 58,348 | 14,027 |
| (11,221) | (12,686) | (49,452) | (36,766) |
| 2,119 | 31,635 | 8,896 | (22,739) |
| | | | |
| 182,088 | (25,808) | 15,990 | 41,798 |
| 375,635 | 375,635 | 375,635 | - |
| $ 557,723 | $ 349,827 | $ 391,625 | $ 41,798 |

## 1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2005, to the fund balance on a modified accrual basis follows.

*(Dollars in Thousands)*

| | Dedicated | Other |
|---|---|---|
| Fund Balance, Basis of Budgeting | $ 221,594 | $ 391,625 |
| Adjustments from Budget to Modified Accrual, Undesignated: | | |
| Accrued Revenues: | | |
| Taxes | 4,415 | 82 |
| Other Revenue | (12) | 57,356 |
| Accrued Expenditures | (13,243) | (31,734) |
| Fund Reclassification - Budget to Modified Accrual | (1,393) | (7,286) |
| Fund Balance, Modified Accrual Basis | $ 211,361 | $ 410,043 |

## 2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2005.

.

*(Dollars in Thousands)*

| | Dedicated | Other |
|---|---|---|
| Appropriations (1) | $ 222,751 | $ 714,666 |
| Supplemental Appropriations: | | |
| Reappropriations (2) | 15,840 | 85,325 |
| Subsequent Executive (3) | 23,509 | 82,426 |
| Subsequent Legislative (4) | (62) | (206,901) |
| Capital Outlay Reversions (5) | (118) | (248) |
| Transfers (6) | 35,691 | 291,278 |
| Capital Outlay Adjustment (7) | (1,409) | (78,287) |
| Appropriations, as adjusted | $ 296,202 | $ 888,259 |

1. Represents the budget appropriated through Chapter 951, 2005 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

# Nonmajor Enterprise Funds

**Enterprise Funds:**

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

**Department of Alcoholic Beverage Control** operates facilities for the distribution and sale of distilled spirits and wine.

**Risk Management** accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

**Local Choice Health Care** administers a health care plan for the employees of participating local governments.

**Virginia Industries for the Blind** manufactures products for sale to governments, certain private organizations, and the general public.

**Consolidated Laboratory** provides water testing services and a newborn screening program.

**eVA Procurement System** accounts for the statewide electronic procurement system.

**Department of Environmental Quality** accounts for the Title V program that offers services to the general public.

**Wireless E-911 Service Board** assists in the establishment of wireless E-911 service in Virginia localities.

**Virginia Information Providers Network** provides for the centralized marketing, provision, leasing or executing of license agreements for access online or in volume.

**Virginia Museum of Fine Arts** accounts for gift shop and food service activities.

**Science Museum of Virginia** accounts for gift shop activities.

**Mental Health Local Funds** account for the canteen store and work activity programs.

**Library of Virginia** accounts for book shop activities.

**School for the Deaf and Blind – Staunton** accounts for the Student Center activity.

## Combining Statement of Net Assets – Nonmajor Enterprise Funds

June 30, 2005
(Dollars in Thousands)

| | Department of Alcoholic Beverage Control | Risk Management | Local Choice Health Care | Virginia Industries for the Blind |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 939 | $ 24,387 | $ 31,210 | $ 3,922 |
| Investments | 37 | 988 | 1,264 | - |
| Receivables (Net) | 3,096 | 29 | 13,634 | 823 |
| Inventory | 36,479 | - | - | 2,878 |
| Prepaid Items | 939 | - | - | - |
| Other Assets | 160 | 50 | - | 1 |
| Total Current Assets | 41,650 | 25,454 | 46,108 | 7,624 |
| Noncurrent Assets: | | | | |
| Investments | - | - | - | - |
| Prepaid Items | - | - | - | - |
| Nondepreciable Capital Assets | 7,720 | - | - | 149 |
| Depreciable Capital Assets, Net | 17,254 | - | - | 6,627 |
| Total Noncurrent Assets | 24,974 | - | - | 6,776 |
| Total Assets | 66,624 | 25,454 | 46,108 | 14,400 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 15,751 | 196 | 4,399 | 880 |
| Due to Other Funds | 7,943 | - | - | - |
| Interfund Payable | 30,965 | - | - | - |
| Unearned Revenue | 177 | 501 | - | - |
| Claims Payable | - | 5,469 | 16,212 | - |
| Obligations Under Securities Lending Program | 209 | 5,636 | 7,212 | - |
| Other Liabilities | - | - | - | - |
| Long-term Liabilities Due within One Year | 4,291 | 30 | - | 26 |
| Total Current Liabilities | 59,336 | 11,832 | 27,823 | 906 |
| Noncurrent Liabilities: | | | | |
| Interfund Payable | - | - | - | - |
| Claims Payable | - | 4,998 | - | - |
| Long-term Liabilities Due in More Than One Year | 14,894 | 47 | - | 514 |
| Total Noncurrent Liabilities | 14,894 | 5,045 | - | 514 |
| Total Liabilities | 74,230 | 16,877 | 27,823 | 1,420 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 19,640 | - | - | 6,776 |
| Unrestricted | (27,246) | 8,577 | 18,285 | 6,204 |
| Total Net Assets | $ (7,606) | $ 8,577 | $ 18,285 | $ 12,980 |

| Consolidated Laboratory | eVA Procurement System | Department of Environmental Quality | Wireless E-911 Service Board | Virginia Information Providers Network | Virginia Museum of Fine Arts | Science Museum of Virginia |
|---|---|---|---|---|---|---|
| | | | | | | |
| $ 2,889 | $ 5,807 | $ 11,448 | $ 23,942 | $ 1,100 | $ 594 | $ 195 |
| - | - | 464 | 970 | - | - | - |
| 114 | 504 | - | 5,098 | 2,967 | 89 | 1 |
| 20 | - | - | - | - | 252 | 69 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 7 | - |
| 3,023 | 6,311 | 11,912 | 30,010 | 4,067 | 942 | 265 |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 1 |
| - | - | - | - | - | - | - |
| 1,039 | - | 32 | - | - | - | 16 |
| 1,039 | - | 32 | - | - | - | 17 |
| 4,062 | 6,311 | 11,944 | 30,010 | 4,067 | 942 | 282 |
| | | | | | | |
| | | | | | | |
| 139 | 67 | 26 | 9,413 | 61 | 5 | 17 |
| - | - | 975 | - | 2,399 | - | - |
| - | 800 | - | - | - | - | - |
| 1,683 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 2,646 | 5,533 | - | - | - |
| - | - | - | - | 1,512 | 59 | - |
| 325 | 52 | 365 | 11 | - | 8 | - |
| 2,147 | 919 | 4,012 | 14,957 | 3,972 | 72 | 17 |
| | | | | | | |
| - | 7,200 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 746 | 82 | 834 | 31 | 11 | 144 | 18 |
| 746 | 7,282 | 834 | 31 | 11 | 144 | 18 |
| 2,893 | 8,201 | 4,846 | 14,988 | 3,983 | 216 | 35 |
| | | | | | | |
| 336 | - | 32 | - | - | - | 16 |
| 833 | (1,890) | 7,066 | 15,022 | 84 | 726 | 231 |
| $ 1,169 | $ (1,890) | $ 7,098 | $ 15,022 | $ 84 | $ 726 | $ 247 |

*Continued on next page*

**Combining Statement of Net Assets – Nonmajor Enterprise Funds** *(Continued from previous page)*

June 30, 2005
(Dollars in Thousands)

| | Mental Health Local Funds | Library of Virginia | School for the Deaf and Blind - Staunton | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 409 | $ 12 | $ 1 | $ 106,855 |
| Investments | 49 | - | - | 3,772 |
| Receivables (Net) | - | 1 | - | 26,356 |
| Inventory | - | 39 | - | 39,737 |
| Prepaid Items | - | - | - | 939 |
| Other Assets | - | - | - | 218 |
| Total Current Assets | 458 | 52 | 1 | 177,877 |
| Noncurrent Assets: | | | | |
| Investments | 1 | - | - | 1 |
| Prepaid Items | - | - | - | 1 |
| Nondepreciable Capital Assets | - | - | - | 7,869 |
| Depreciable Capital Assets, Net | - | - | - | 24,968 |
| Total Noncurrent Assets | 1 | - | - | 32,839 |
| Total Assets | 459 | 52 | 1 | 210,716 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | - | 23 | - | 30,977 |
| Due to Other Funds | - | - | - | 11,317 |
| Interfund Payable | - | - | - | 31,765 |
| Unearned Revenue | - | - | - | 2,361 |
| Claims Payable | - | - | - | 21,681 |
| Obligations Under Securities Lending Program | - | - | - | 21,236 |
| Other Liabilities | 179 | - | - | 1,750 |
| Long-term Liabilities Due within One Year | - | 1 | - | 5,109 |
| Total Current Liabilities | 179 | 24 | - | 126,196 |
| Noncurrent Liabilities: | | | | |
| Interfund Payable | - | - | - | 7,200 |
| Claims Payable | - | - | - | 4,998 |
| Long-term Liabilities Due in More Than One Year | - | - | - | 17,321 |
| Total Noncurrent Liabilities | - | - | - | 29,519 |
| Total Liabilities | 179 | 24 | - | 155,715 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | - | - | - | 26,800 |
| Unrestricted | 280 | 28 | 1 | 28,201 |
| Total Net Assets | $ 280 | $ 28 | $ 1 | $ 55,001 |

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Department of Alcoholic Beverage Control | Risk Management | Local Choice Health Care | Virginia Industries for the Blind |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Charges for Sales and Services | $ 450,147 | $ 5,345 | $ 157,959 | $ 20,979 |
| Other | 25,862 | - | 34 | 816 |
| Total Operating Revenues | 476,009 | 5,345 | 157,993 | 21,795 |
| **Operating Expenses:** | | | | |
| Cost of Sales and Services | 273,698 | - | - | - |
| Prizes and Claims | - | 2,350 | 144,976 | - |
| Personal Services | 63,809 | 510 | - | 4,736 |
| Contractual Services | 14,693 | 522 | 10,655 | 959 |
| Supplies and Materials | 2,170 | 1 | - | 14,567 |
| Depreciation and Amortization | 3,832 | - | - | 41 |
| Rent, Insurance, and Other Related Charges | 15,754 | 26 | - | 426 |
| Interest Expense | - | - | - | - |
| Non-recurring Cost Estimate Payments to Providers | - | - | - | - |
| Distribution of On-Line Revenue | - | - | - | - |
| Other | 1,367 | 2 | - | 328 |
| Total Operating Expenses | 375,323 | 3,411 | 155,631 | 21,057 |
| Operating Income (Loss) | 100,686 | 1,934 | 2,362 | 738 |
| | | | | |
| **Nonoperating Revenues (Expenses):** | | | | |
| Interest, Dividends, Rents, and Other Investment Income | 82 | 568 | 714 | - |
| Other | 129 | (123) | (157) | (3) |
| Total Nonoperating Revenues (Expenses) | 211 | 445 | 557 | (3) |
| | | | | |
| Income (Loss) Before Transfers | 100,897 | 2,379 | 2,919 | 735 |
| Transfers In | 369 | - | - | - |
| Transfers Out | (101,881) | (13) | - | - |
| Change in Net Assets | (615) | 2,366 | 2,919 | 735 |
| Total Net Assets (Deficit), July 1, as restated | (6,991) | 6,211 | 15,366 | 12,245 |
| Total Net Assets (Deficit), June 30 | $ (7,606) | $ 8,577 | $ 18,285 | $ 12,980 |

| Consolidated Laboratory | eVA Procurement System | Department of Environmental Quality | Wireless E-911 Service Board | Virginia Information Providers Network | Virginia Museum of Fine Arts | Science Museum of Virginia |
|---|---|---|---|---|---|---|
| $ 5,239 | $ 4,027 | $ 9,717 | $ 39,314 | $ 35,483 | $ 1,532 | $ 462 |
| - | - | - | - | - | 4 | - |
| 5,239 | 4,027 | 9,717 | 39,314 | 35,483 | 1,536 | 462 |
| | | | | | | |
| - | - | - | - | - | 727 | 214 |
| - | - | - | - | - | - | - |
| 2,047 | 1,013 | 9,985 | 308 | 47 | 839 | 145 |
| 437 | 4,943 | 402 | 940 | 6,036 | 65 | 14 |
| 1,299 | 1 | 47 | 10 | - | 29 | 4 |
| 236 | - | 51 | - | - | - | 12 |
| 725 | 391 | 107 | 24 | 10 | - | - |
| - | 190 | - | - | - | - | - |
| - | - | - | 37,574 | - | - | - |
| - | - | - | - | 28,688 | - | - |
| 7 | 6 | 30 | 34 | - | - | - |
| 4,751 | 6,544 | 10,622 | 38,890 | 34,781 | 1,660 | 389 |
| 488 | (2,517) | (905) | 424 | 702 | (124) | 73 |
| | | | | | | |
| | | | | | | |
| - | - | 321 | 403 | - | 7 | - |
| - | - | (104) | (90) | - | (35) | (92) |
| - | - | 217 | 313 | - | (28) | (92) |
| | | | | | | |
| 488 | (2,517) | (688) | 737 | 702 | (152) | (19) |
| - | 4,936 | - | - | - | 11 | - |
| - | - | - | (1,000) | (902) | (50) | - |
| 488 | 2,419 | (688) | (263) | (200) | (191) | (19) |
| 681 | (4,309) | 7,786 | 15,285 | 284 | 917 | 266 |
| $ 1,169 | $ (1,890) | $ 7,098 | $ 15,022 | $ 84 | $ 726 | $ 247 |

*Continued on next page*

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Mental Health Local Funds | Library of Virginia | School for the Deaf and Blind - Staunton | Total |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Charges for Sales and Services | $ 569 | $ 9 | $ 5 | $ 730,787 |
| Other | - | - | - | 26,716 |
| Total Operating Revenues | 569 | 9 | 5 | 757,503 |
| **Operating Expenses:** | | | | |
| Cost of Sales and Services | 537 | 1 | 5 | 275,182 |
| Prizes and Claims | - | - | - | 147,326 |
| Personal Services | - | 35 | - | 83,474 |
| Contractual Services | - | 7 | - | 39,673 |
| Supplies and Materials | - | 1 | - | 18,129 |
| Depreciation and Amortization | - | - | - | 4,172 |
| Rent, Insurance, and Other Related Charges | - | - | - | 17,463 |
| Interest Expense | - | - | - | 190 |
| Non-recurring Cost Estimate Payments to Providers | - | - | - | 37,574 |
| Distribution of On-Line Revenue | - | - | - | 28,688 |
| Other | - | 2 | - | 1,776 |
| Total Operating Expenses | 537 | 46 | 5 | 653,647 |
| Operating Income (Loss) | 32 | (37) | - | 103,856 |
| | | | | |
| **Nonoperating Revenues (Expenses):** | | | | |
| Interest, Dividends, Rents, and Other Investment Income | - | - | - | 2,095 |
| Other | - | - | - | (475) |
| Total Nonoperating Revenues (Expenses) | - | - | - | 1,620 |
| | | | | |
| Income (Loss) Before Transfers | 32 | (37) | - | 105,476 |
| Transfers In | - | 65 | - | 5,381 |
| Transfers Out | (8) | - | - | (103,854) |
| Change in Net Assets | 24 | 28 | - | 7,003 |
| Total Net Assets (Deficit), July 1, as restated | 256 | - | 1 | 47,998 |
| Total Net Assets (Deficit), June 30 | $ 280 | $ 28 | $ 1 | $ 55,001 |

## Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Department of Alcoholic Beverage Control | Risk Management | Local Choice Health Care | Virginia Industries for the Blind |
|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | |
| Receipts for Sales and Services | $ 470,280 | $ 5,237 | $ 156,725 | $ 17,668 |
| Internal Activity-Receipts from Other Funds | - | - | - | 3,961 |
| Internal Activity-Payments to Other Funds | - | - | - | - |
| Payments to Suppliers for Goods and Services | (294,847) | - | - | (14,572) |
| Payments for Prizes, Claims, and Loss Control | - | (2,373) | (140,452) | - |
| Payments to Employees | (62,750) | (577) | - | (4,589) |
| Payments to Providers for Non-recurring Cost Estimates | - | - | - | - |
| Other Operating Revenue | 5,491 | - | 37 | - |
| Other Operating Expense | (14,693) | (471) | (10,335) | (928) |
| Net Cash Provided by (Used for) Operating Activities | 103,481 | 1,816 | 5,975 | 1,540 |
| | | | | |
| **Cash Flows from Noncapital Financing Activities:** | | | | |
| Transfers In From Other Funds | 369 | - | - | - |
| Transfers Out to Other Funds | (224,326) | (13) | - | - |
| Other Noncapital Financing Receipt Activities | 128,695 | - | - | - |
| Other Noncapital Financing Disbursement Activities | - | - | - | - |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (95,262) | (13) | - | - |
| | | | | |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Acquisition of Capital Assets | (6,144) | - | - | - |
| Payment of Principal and Interest on Bonds and Notes | (1,751) | - | - | - |
| Proceeds from Sale of Capital Assets | 6 | - | - | 1 |
| Net Cash Provided By (Used for) Capital and Related Financing Activities | (7,889) | - | - | 1 |
| | | | | |
| **Cash Flows from Investing Activities:** | | | | |
| Purchase of Investments | - | - | - | - |
| Investment Income on Cash, Cash Equivalents, and Investments | - | 517 | 652 | - |
| Net Cash Provided by (Used for) Investing Activities | - | 517 | 652 | - |
| | | | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | 330 | 2,320 | 6,627 | 1,541 |
| **Cash and Cash Equivalents, July 1, as restated** | 598 | 17,469 | 18,635 | 2,382 |
| **Cash and Cash Equivalents, June 30** | $ 928 | $ 19,789 | $ 25,262 | $ 3,923 |
| | | | | |
| **Reconciliation of Cash and Cash Equivalents:** | | | | |
| Per the Statement of Net Assets: | | | | |
| Cash and Cash Equivalents | $ 939 | $ 24,387 | $ 31,210 | $ 3,922 |
| Cash and Travel Advances | 160 | 50 | - | 1 |
| Less: | | | | |
| Securities Lending Cash Equivalents | (171) | (4,648) | (5,948) | - |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 928 | $ 19,789 | $ 25,262 | $ 3,923 |

| Consolidated Laboratory | eVA Procurement System | Department of Environmental Quality | Wireless E-911 Service Board | Virginia Information Providers Network | Virginia Museum of Fine Arts | Science Museum of Virginia |
|---|---|---|---|---|---|---|
| $ 5,466 | $ 5,329 | $ 9,717 | $ 38,909 | $ 35,562 | $ 1,604 | $ 462 |
| 95 | - | - | - | - | - | - |
| (603) | (10) | - | (28) | (28,883) | - | - |
| (1,823) | (585) | (77) | (59) | (10) | (751) | (211) |
| - | - | - | - | - | - | - |
| (2,003) | (976) | (10,225) | (332) | (70) | (839) | (144) |
| - | - | - | (31,164) | - | - | - |
| - | - | - | - | - | - | - |
| (411) | (5,063) | (390) | (871) | (5,440) | (129) | (23) |
| 721 | (1,305) | (975) | 6,455 | 1,159 | (115) | 84 |
| | | | | | | |
| - | 4,936 | - | - | - | 11 | - |
| - | - | - | (1,000) | (902) | (50) | - |
| - | 1,459 | - | - | - | - | - |
| - | - | - | - | - | - | (92) |
| | | | | | | |
| - | 6,395 | - | (1,000) | (902) | (39) | (92) |
| | | | | | | |
| (6) | - | (34) | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| | | | | | | |
| (6) | - | (34) | - | - | - | - |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | 296 | 363 | - | 7 | - |
| - | - | 296 | 363 | - | 7 | - |
| | | | | | | |
| 715 | 5,090 | (713) | 5,818 | 257 | (147) | (8) |
| 2,174 | 717 | 9,979 | 13,561 | 843 | 748 | 203 |
| $ 2,889 | $ 5,807 | $ 9,266 | $ 19,379 | $ 1,100 | $ 601 | $ 195 |
| | | | | | | |
| $ 2,889 | $ 5,807 | $ 11,448 | $ 23,942 | $ 1,100 | $ 594 | $ 195 |
| - | - | - | - | - | 7 | - |
| | | | | | | |
| - | - | (2,182) | (4,563) | - | - | - |
| $ 2,889 | $ 5,807 | $ 9,266 | $ 19,379 | $ 1,100 | $ 601 | $ 195 |

*Continued on next page*

## Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Mental Health Local Funds | Library of Virginia | School for the Deaf and Blind - Staunton | Total |
|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | |
| Receipts for Sales and Services | $ 569 | $ 8 | $ 5 | $ 747,541 |
| Internal Activity-Receipts from Other Funds | - | - | - | 4,056 |
| Internal Activity-Payments to Other Funds | - | - | - | (29,524) |
| Payments to Suppliers for Goods and Services | (537) | (26) | (5) | (313,503) |
| Payments for Prizes, Claims, and Loss Control | - | - | - | (142,825) |
| Payments to Employees | - | (28) | - | (82,533) |
| Payments to Providers for Non-recurring Cost Estimates | - | - | - | (31,164) |
| Other Operating Revenue | - | - | - | 5,528 |
| Other Operating Expense | - | (7) | - | (38,761) |
| Net Cash Provided by (Used for) Operating Activities | 32 | (53) | - | 118,815 |
| | | | | |
| **Cash Flows from Noncapital Financing Activities:** | | | | |
| Transfers In From Other Funds | - | 65 | - | 5,381 |
| Transfers Out to Other Funds | (8) | - | - | (226,299) |
| Other Noncapital Financing Receipt Activities | 4 | - | - | 130,158 |
| Other Noncapital Financing Disbursement Activities | - | - | - | (92) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (4) | 65 | - | (90,852) |
| | | | | |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Acquisition of Capital Assets | - | - | - | (6,184) |
| Payment of Principal and Interest on Bonds and Notes | - | - | - | (1,751) |
| Proceeds from Sale of Capital Assets | - | - | - | 7 |
| Net Cash Provided By (Used for) Capital and Related Financing Activities | - | - | - | (7,928) |
| | | | | |
| **Cash Flows from Investing Activities:** | | | | |
| Purchase of Investments | (1) | - | - | (1) |
| Investment Income on Cash, Cash Equivalents, and Investments | 18 | - | - | 1,853 |
| Net Cash Provided by (Used for) Investing Activities | 17 | - | - | 1,852 |
| | | | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | 45 | 12 | - | 21,887 |
| **Cash and Cash Equivalents, July 1, as restated** | 364 | - | 1 | 67,674 |
| **Cash and Cash Equivalents, June 30** | $ 409 | $ 12 | $ 1 | $ 89,561 |
| | | | | |
| **Reconciliation of Cash and Cash Equivalents** | | | | |
| Per the Statement of Net Assets: | | | | |
| Cash and Cash Equivalents | $ 409 | $ 12 | $ 1 | $ 106,855 |
| Cash and Travel Advances | - | - | - | 218 |
| Less: | | | | |
| Securities Lending Cash Equivalents | - | - | - | (17,512) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 409 | $ 12 | $ 1 | $ 89,561 |

| | Department of Alcoholic Beverage Control | Risk Management | Local Choice Health Care | Virginia Industries for the Blind |
|---|---|---|---|---|
| **Reconciliation of Operating Income** | | | | |
| **To Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Operating Income (Loss) | $ 100,686 | $ 1,934 | $ 2,362 | $ 738 |
| **Adjustments to Reconcile Operating** | | | | |
| **Income to Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Depreciation and Amortization | 3,832 | - | - | 41 |
| Interest, Dividends, Rents, and Other Investment Income | (22) | - | - | - |
| Miscellaneous Nonoperating Income | - | - | - | (816) |
| Change in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | (198) | - | (1,231) | 647 |
| (Increase) Decrease in Due From Other Funds | - | - | - | - |
| (Increase) Decrease in Other Assets | - | - | - | - |
| (Increase) Decrease in Inventory | (1,705) | - | - | 555 |
| (Increase) Decrease in Prepaid Items | (121) | - | 110 | - |
| Increase (Decrease) in Accounts Payable | (236) | 12 | 3,720 | 234 |
| Increase (Decrease) in Amounts Due to Other Governments | - | - | - | - |
| Increase (Decrease) in Claims Payable | - | (4) | 1,014 | - |
| Increase (Decrease) in Due to Other Funds | 394 | - | - | - |
| Increase (Decrease) in Unearned Revenue | (22) | (128) | - | - |
| Increase (Decrease) in Other Liabilities | - | - | - | - |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | 52 | (7) | - | 3 |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | 821 | 9 | - | 138 |
| Net Cash Provided by (Used for) Operating Activities | $ 103,481 | $ 1,816 | $ 5,975 | $ 1,540 |
| | | | | |
| **Noncash Investing, Capital, and Financing Activities:** | | | | |
| The following transactions occurred prior to the statement of net assets date: | | | | |
| Installment Purchases Used to Finance Capital Assets | $ 2,003 | $ - | $ - | $ - |
| Total Noncash, Investing, Capital, and Financing Activities | $ 2,003 | $ - | $ - | $ - |

*Continued on next page*

## Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Consolidated Laboratory | eVA Procurement System | Department of Environmental Quality | Wireless E-911 Service Board |
|---|---|---|---|---|
| **Reconciliation of Operating Income** | | | | |
| **To Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Operating Income (Loss) | $ 488 | $ (2,517) | $ (905) | $ 424 |
| **Adjustments to Reconcile Operating** | | | | |
| **Income to Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Depreciation and Amortization | 236 | - | 51 | - |
| Interest, Dividends, Rents, and Other Investment Income | | - | - | - |
| Miscellaneous Nonoperating Income | - | - | - | - |
| Change in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | (60) | 6 | - | (404) |
| (Increase) Decrease in Due From Other Funds | - | 5,019 | - | - |
| (Increase) Decrease in Other Assets | - | - | - | - |
| (Increase) Decrease in Inventory | 4 | - | - | - |
| (Increase) Decrease in Prepaid Items | - | - | - | - |
| Increase (Decrease) in Accounts Payable | 10 | (3,836) | 14 | 6,425 |
| Increase (Decrease) in Amounts Due to Other Governments | - | - | - | - |
| Increase (Decrease) in Claims Payable | - | - | - | - |
| Increase (Decrease) in Due to Other Funds | (171) | - | (202) | - |
| Increase (Decrease) in Unearned Revenue | 382 | - | - | - |
| Increase (Decrease) in Other Liabilities | - | - | - | - |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | 18 | 11 | 3 | 1 |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | (186) | 12 | 64 | 9 |
| Net Cash Provided by (Used for) Operating Activities | $ 721 | $ (1,305) | $ (975) | $ 6,455 |
| | | | | |
| **Noncash Investing, Capital, and Financing Activities:** | | | | |
| The following transactions occurred prior to the statement of net assets date: | | | | |
| Installment Purchases Used to Finance Capital Assets | $ - | $ - | $ - | $ - |
| Total Noncash, Investing, Capital, and Financing Activities | $ - | $ - | $ - | $ - |

| Virginia Information Providers Network | Virginia Museum of Fine Arts | Science Museum of Virginia | Mental Health Local Funds | Library of Virginia | School for the Deaf and Blind - Staunton | Total |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| $ 702 | $ (124) | $ 73 | $ 32 | $ (37) | $ - | $ 103,856 |
| | | | | | | |
| | | | | | | |
| - | - | 12 | - | - | - | 4,172 |
| - | - | - | - | - | - | (22) |
| - | - | - | - | - | - | (816) |
| | | | | | | |
| 79 | 33 | (1) | - | (1) | - | (1,130) |
| - | - | - | - | - | - | 5,019 |
| - | 1 | - | - | - | - | 1 |
| - | 12 | 2 | - | (39) | - | (1,171) |
| - | - | (1) | - | - | - | (12) |
| 42 | (23) | (2) | - | 23 | - | 6,383 |
| (16) | - | - | - | - | - | (16) |
| - | - | - | - | - | - | 1,010 |
| (101) | - | - | - | - | - | (80) |
| - | - | - | - | - | - | 232 |
| 464 | (32) | - | - | - | - | 432 |
| (12) | 1 | - | - | 1 | - | 71 |
| 1 | 17 | 1 | - | - | - | 886 |
| $ 1,159 | $ (115) | $ 84 | $ 32 | $ (53) | $ - | $ 118,815 |
| | | | | | | |
| | | | | | | |
| $ - | $ - | $ - | $ - | $ - | $ - | $ 2,003 |
| $ - | $ - | $ - | $ - | $ - | $ - | $ 2,003 |

# Internal Service Funds

**Internal Service Funds**

*Internal Service Funds account for the operations of State agencies that render services to other State agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.*

**Virginia Information Technologies Agency** accounts for the installation and maintenance of the State government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

**Virginia Correctional Enterprises** accounts for the manufacturing activities of the State's correctional facilities.

**Health Care** accounts for the health insurance programs provided to State employees.

**Fleet Management** accounts for the Commonwealth's motor vehicle pool.

**Maintenance and Repair** accounts for services outside the scope of normal maintenance and custodial services provided to agencies by the Bureau of Facilities Management.

**Virginia Distribution Center** accounts for supplies purchased for and used by State agencies.

**Risk Management** accounts for the insurance programs provided to State agencies and institutions.

**Consolidated Laboratory** accounts for the Commonwealth's water testing services.

**Federal Surplus Property** accounts for the transfer and sale of Federally-owned surplus property.

**State Surplus Property** accounts for the transfer and sale of State-owned surplus property.

**Graphic Communications** accounts for the Commonwealth's graphic design division.

**Property Disposal** accounts for the disposal of State-owned property.

**Engineering Services** reviews, approves, or recommends changes to the Commonwealth's capital outlay projects.

## Combining Statement of Net Assets – Internal Service Funds

June 30, 2005
(Dollars in Thousands)

| | Virginia Information Technologies Agency | Virginia Correctional Enterprises | Health Care |
|---|---|---|---|
| **Assets** | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | $ 17,008 | $ 5,737 | $ 74,249 |
| Investments | - | - | 3,007 |
| Receivables, Net | 2,610 | 3,381 | 12,608 |
| Due From Other Funds | 20,589 | 2,066 | 13,835 |
| Inventory | - | 12,272 | - |
| Prepaid Items | 4,003 | - | - |
| Other Assets | 8 | 4 | - |
| Total Current Assets | 44,218 | 23,460 | 103,699 |
| Noncurrent Assets: | | | |
| Nondepreciable Capital Assets | - | - | - |
| Depreciable Capital Assets, Net | 30,849 | 6,602 | - |
| Total Noncurrent Assets | 30,849 | 6,602 | - |
| Total Assets | 75,067 | 30,062 | 103,699 |
| **Liabilities** | | | |
| Current Liabilities: | | | |
| Accounts Payable | 13,913 | 2,931 | 19,808 |
| Amounts Due to Other Governments | 514 | - | - |
| Due to Other Funds | 383 | 84 | - |
| Interfund Payable | - | - | - |
| Unearned Revenue | 12,972 | 470 | - |
| Claims Payable | - | - | 77,717 |
| Obligations Under Securities Lending Program | - | - | 17,158 |
| Other Liabilities | - | - | - |
| Long-term Liabilities Due within One Year | 10,342 | 217 | - |
| Total Current Liabilities | 38,124 | 3,702 | 114,683 |
| Noncurrent Liabilities: | | | |
| Interfund Payable | - | - | - |
| Claims Payable | - | - | - |
| Long-term Liabilities Due in More Than One Year | 11,375 | 2,468 | - |
| Total Noncurrent Liabilities | 11,375 | 2,468 | - |
| Total Liabilities | 49,499 | 6,170 | 114,683 |
| **Net Assets** | | | |
| Invested in Capital Assets, Net of Related Debt | 22,362 | 5,879 | - |
| Unrestricted | 3,206 | 18,013 | (10,984) |
| Total Net Assets | $ 25,568 | $ 23,892 | $ (10,984) |

| Fleet Management | Maintenance and Repair | Virginia Distribution Center | Risk Management | Consolidated Laboratory | Federal Surplus Property | State Surplus Property |
|---|---|---|---|---|---|---|
| | | | | | | |
| $ 807 | $ 9,615 | $ 1,321 | $ 107,952 | $ 1,012 | $ 378 | $ 648 |
| - | - | 53 | 4,114 | - | - | - |
| 157 | 10 | 817 | 196 | - | 43 | 7 |
| 755 | 787 | 690 | 726 | - | 8 | 2 |
| 27 | 253 | 3,420 | - | - | 39 | - |
| - | - | - | - | - | - | - |
| - | - | - | 1,025 | - | 1 | 1 |
| 1,746 | 10,665 | 6,301 | 114,013 | 1,012 | 469 | 658 |
| | | | | | | |
| - | - | - | - | - | 150 | - |
| 22,895 | 533 | 10,194 | - | 209 | 137 | 75 |
| 22,895 | 533 | 10,194 | - | 209 | 287 | 75 |
| 24,641 | 11,198 | 16,495 | 114,013 | 1,221 | 756 | 733 |
| | | | | | | |
| | | | | | | |
| 409 | 1,926 | 678 | 5,960 | 64 | 34 | 167 |
| - | 771 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 732 | - | - | - | - |
| - | 7,571 | - | 31,074 | - | - | - |
| - | - | - | 49,337 | - | - | - |
| - | - | 305 | 23,474 | - | - | - |
| - | - | - | 5,372 | - | - | - |
| 23 | 535 | 57 | 38 | 56 | 33 | 17 |
| 432 | 10,803 | 1,772 | 115,255 | 120 | 67 | 184 |
| | | | | | | |
| - | - | 7,487 | - | - | - | - |
| - | - | - | 193,920 | - | - | - |
| 238 | 1,522 | 183 | 258 | 266 | 101 | 45 |
| 238 | 1,522 | 7,670 | 194,178 | 266 | 101 | 45 |
| 670 | 12,325 | 9,442 | 309,433 | 386 | 168 | 229 |
| | | | | | | |
| 22,895 | 418 | 10,194 | - | 209 | 287 | 75 |
| 1,076 | (1,545) | (3,141) | (195,420) | 626 | 301 | 429 |
| $ 23,971 | $ (1,127) | $ 7,053 | $ (195,420) | $ 835 | $ 588 | $ 504 |

*Continued on next page*

**Combining Statement of Net Assets – Internal Service Funds** *(Continued from previous page)*

June 30, 2005
(Dollars in Thousands)

| | Graphic Communications | Property Disposal | Engineering Services | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 61 | $ 108 | $ 511 | $ 219,407 |
| Investments | - | - | - | 7,174 |
| Receivables, Net | 25 | 2 | 299 | 20,155 |
| Due From Other Funds | 33 | - | 157 | 39,648 |
| Inventory | - | - | - | 16,011 |
| Prepaid Items | - | - | - | 4,003 |
| Other Assets | - | - | - | 1,039 |
| Total Current Assets | 119 | 110 | 967 | 307,437 |
| Noncurrent Assets: | | | | |
| Nondepreciable Capital Assets | - | - | - | 150 |
| Depreciable Capital Assets, Net | - | - | - | 71,494 |
| Total Noncurrent Assets | - | - | - | 71,644 |
| Total Assets | 119 | 110 | 967 | 379,081 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 13 | 1 | 123 | 46,027 |
| Amounts Due to Other Governments | - | - | - | 1,285 |
| Due to Other Funds | - | - | - | 467 |
| Interfund Payable | - | - | - | 732 |
| Unearned Revenue | 50 | - | - | 52,137 |
| Claims Payable | - | - | - | 127,054 |
| Obligations Under Securities Lending Program | - | - | - | 40,937 |
| Other Liabilities | - | - | - | 5,372 |
| Long-term Liabilities Due within One Year | 11 | - | 121 | 11,450 |
| Total Current Liabilities | 74 | 1 | 244 | 285,461 |
| Noncurrent Liabilities: | | | | |
| Interfund Payable | - | - | - | 7,487 |
| Claims Payable | - | - | - | 193,920 |
| Long-term Liabilities Due in More Than One Year | 57 | - | 180 | 16,693 |
| Total Noncurrent Liabilities | 57 | - | 180 | 218,100 |
| Total Liabilities | 131 | 1 | 424 | 503,561 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | - | - | - | 62,319 |
| Unrestricted | (12) | 109 | 543 | (186,799) |
| Total Net Assets | $ (12) | $ 109 | $ 543 | $ (124,480) |

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds**

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Virginia Information Technologies Agency | Virginia Correctional Enterprises | Health Care |
|---|---|---|---|
| **Operating Revenues:** | | | |
| Charges for Sales and Services | $ 198,607 | $ 48,407 | $ 737,265 |
| Total Operating Revenues | 198,607 | 48,407 | 737,265 |
| **Operating Expenses:** | | | |
| Cost of Sales and Services | - | 35,497 | - |
| Prizes and Claims | - | - | 677,372 |
| Personal Services | 70,717 | 3,738 | - |
| Contractual Services | 81,095 | 2,791 | 47,547 |
| Supplies and Materials | 993 | 387 | - |
| Depreciation and Amortization | 8,799 | 1,460 | - |
| Rent, Insurance, and Other Related Charges | 9,825 | 917 | - |
| Interest Expense | - | - | - |
| Other | 25,513 | 355 | - |
| Total Operating Expenses | 196,942 | 45,145 | 724,919 |
| Operating Income (Loss) | 1,665 | 3,262 | 12,346 |
| | | | |
| **Nonoperating Revenues (Expenses):** | | | |
| Interest, Dividends, Rents, and Other Investment Income | (343) | (228) | 1,917 |
| Other | (118) | 304 | (419) |
| Total Nonoperating Revenues (Expenses) | (461) | 76 | 1,498 |
| | | | |
| Income (Loss) Before Transfers | 1,204 | 3,338 | 13,844 |
| Transfers In | - | - | - |
| Transfers Out | (44) | (1,069) | - |
| Change in Net Assets | 1,160 | 2,269 | 13,844 |
| Total Net Assets (Deficit), July 1 | 24,408 | 21,623 | (24,828) |
| Total Net Assets (Deficit), June 30 | $ 25,568 | $ 23,892 | $ (10,984) |

| Fleet Management | Maintenance and Repair | Virginia Distribution Center | Risk Management | Consolidated Laboratory | Federal Surplus Property | State Surplus Property |
|---|---|---|---|---|---|---|
| $ 13,050 | $ 26,862 | $ 26,927 | $ 68,886 | $ 1,787 | $ 1,048 | $ 1,207 |
| 13,050 | 26,862 | 26,927 | 68,886 | 1,787 | 1,048 | 1,207 |
| | | | | | | |
| - | - | 22,669 | - | - | - | - |
| - | - | - | 78,373 | - | - | - |
| 870 | 7,661 | 1,078 | 1,293 | 1,031 | 327 | 290 |
| 1,210 | 5,604 | 1,586 | 8,424 | 87 | 54 | 427 |
| 2,816 | 3,764 | 58 | 1 | 275 | 621 | 20 |
| 5,675 | 129 | 640 | - | 121 | 45 | 26 |
| 669 | 6,826 | 299 | 1,038 | 180 | 83 | 228 |
| - | - | 229 | - | - | - | - |
| 179 | 2,991 | 83 | 7,664 | 4 | 3 | 11 |
| 11,419 | 26,975 | 26,642 | 96,793 | 1,698 | 1,133 | 1,002 |
| 1,631 | (113) | 285 | (27,907) | 89 | (85) | 205 |
| | | | | | | |
| - | - | 8 | 2,494 | - | 83 | - |
| (538) | - | - | (531) | - | - | 19 |
| (538) | - | 8 | 1,963 | - | 83 | 19 |
| | | | | | | |
| 1,093 | (113) | 293 | (25,944) | 89 | (2) | 224 |
| - | 90 | 25 | - | 283 | - | - |
| (1,000) | (53) | - | (73) | - | - | - |
| 93 | (76) | 318 | (26,017) | 372 | (2) | 224 |
| 23,878 | (1,051) | 6,735 | (169,403) | 463 | 590 | 280 |
| $ 23,971 | $ (1,127) | $ 7,053 | $ (195,420) | $ 835 | $ 588 | $ 504 |

*Continued on next page*

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Graphic Communications | Property Disposal | Engineering Services | Total |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Charges for Sales and Services | $ 338 | $ 69 | $ 2,476 | $ 1,126,929 |
| Total Operating Revenues | 338 | 69 | 2,476 | 1,126,929 |
| **Operating Expenses:** | | | | |
| Cost of Sales and Services | - | - | - | 58,166 |
| Prizes and Claims | - | - | - | 755,745 |
| Personal Services | 263 | - | 1,902 | 89,170 |
| Contractual Services | 53 | 22 | 53 | 148,953 |
| Supplies and Materials | 3 | - | 7 | 8,945 |
| Depreciation and Amortization | - | - | - | 16,895 |
| Rent, Insurance, and Other Related Charges | 43 | - | 244 | 20,352 |
| Interest Expense | - | - | - | 229 |
| Other | 17 | - | - | 36,820 |
| Total Operating Expenses | 379 | 22 | 2,206 | 1,135,275 |
| Operating Income (Loss) | (41) | 47 | 270 | (8,346) |
| | | | | |
| **Nonoperating Revenues (Expenses):** | | | | |
| Interest, Dividends, Rents, and Other Investment Income | - | - | - | 3,931 |
| Other | - | - | - | (1,283) |
| Total Nonoperating Revenues (Expenses) | - | - | - | 2,648 |
| | | | | |
| Income (Loss) Before Transfers | (41) | 47 | 270 | (5,698) |
| Transfers In | - | - | - | 398 |
| Transfers Out | - | - | - | (2,239) |
| Change in Net Assets | (41) | 47 | 270 | (7,539) |
| Total Net Assets (Deficit), July 1 | 29 | 62 | 273 | (116,941) |
| Total Net Assets (Deficit), June 30 | $ (12) | $ 109 | $ 543 | $ (124,480) |

## Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Virginia Information Technologies Agency | Virginia Correctional Enterprises | Health Care |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| Receipts for Sales and Services | $ 5,560 | $ 13,139 | $ 733,425 |
| Internal Activity-Receipts from Other Funds | 189,272 | 33,705 | - |
| Internal Activity-Payments to Other Funds | (1,100) | (1,280) | - |
| Payments to Suppliers for Goods and Services | (36,680) | (37,032) | - |
| Payments for Prizes, Claims, and Loss Control | - | - | (669,579) |
| Payments to Employees | (65,205) | (3,665) | - |
| Other Operating Revenue | 1 | - | - |
| Other Operating Expense | (80,115) | (2,047) | (46,296) |
| Net Cash Provided by (Used for) Operating Activities | 11,733 | 2,820 | 17,550 |
| **Cash Flows from Noncapital Financing Activities:** | | | |
| Transfers In From Other Funds | - | - | 225 |
| Transfers Out to Other Funds | (44) | (1,069) | - |
| Other Noncapital Financing Receipt Activities | - | - | - |
| Other Noncapital Financing Disbursement Activities | - | - | - |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (44) | (1,069) | 225 |
| **Cash Flows from Capital and Related Financing Activities:** | | | |
| Acquisition of Capital Assets | (7,890) | (2,598) | - |
| Payment of Principal and Interest on Bonds and Notes | (6,802) | (463) | - |
| Proceeds from Sale of Capital Assets | - | - | - |
| Net Cash Provided By (Used for) Capital and Related Financing Activities | (14,692) | (3,061) | - |
| **Cash Flows from Investing Activities:** | | | |
| Investment Income on Cash, Cash Equivalents, and Investments | - | - | 1,498 |
| Net Cash Provided by (Used for) Investing Activities | - | - | 1,498 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,003) | (1,310) | 19,273 |
| **Cash and Cash Equivalents, July 1** | 20,019 | 7,051 | 40,825 |
| **Cash and Cash Equivalents, June 30** | $ 17,016 | $ 5,741 | $ 60,098 |
| **Reconciliation of Cash and Cash Equivalents:** | | | |
| Per the Statement of Net Assets: | | | |
| Cash and Cash Equivalents | $ 17,008 | $ 5,737 | $ 74,249 |
| Cash and Travel Advances | 8 | 4 | - |
| Less: | | | |
| Securities Lending Cash Equivalents | - | - | (14,151) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 17,016 | $ 5,741 | $ 60,098 |

| Fleet Management | Maintenance and Repair | Virginia Distribution Center | Risk Management | Consolidated Laboratory | Federal Surplus Property | State Surplus Property |
|---|---|---|---|---|---|---|
| $ 1,544 | $ 2,064 | $ 6,331 | $ - | $ 5 | $ 858 | $ 681 |
| 11,493 | 24,682 | 20,354 | 69,784 | 1,785 | 239 | 591 |
| (3,372) | (486) | (1,302) | - | (87) | (16) | (39) |
| (1,352) | (13,062) | (21,645) | - | (422) | (741) | (173) |
| - | - | - | (59,412) | - | - | - |
| (878) | (7,493) | (1,070) | (1,256) | (1,041) | (328) | (283) |
| - | - | - | - | - | - | - |
| (177) | (5,405) | (1,520) | (16,151) | (37) | (46) | (397) |
| 7,258 | 300 | 1,148 | (7,035) | 203 | (34) | 380 |
| | | | | | | |
| - | 90 | 25 | 162 | 283 | - | - |
| (1,000) | (53) | - | (73) | - | - | - |
| - | - | - | - | - | 48 | - |
| - | - | (632) | - | - | - | (1) |
| (1,000) | 37 | (607) | 89 | 283 | 48 | (1) |
| | | | | | | |
| (6,468) | (4) | (29) | - | - | - | (78) |
| - | (61) | - | - | - | - | - |
| 527 | - | - | - | - | - | - |
| | | | | | | |
| (5,941) | (65) | (29) | - | - | - | (78) |
| | | | | | | |
| - | - | 8 | 2,086 | - | - | - |
| - | - | 8 | 2,086 | - | - | - |
| | | | | | | |
| 317 | 272 | 520 | (4,860) | 486 | 14 | 301 |
| 490 | 9,343 | 549 | 94,477 | 526 | 365 | 348 |
| $ 807 | $ 9,615 | $ 1,069 | $ 89,617 | $ 1,012 | $ 379 | $ 649 |
| | | | | | | |
| $ 807 | $ 9,615 | $ 1,321 | $ 107,952 | $ 1,012 | $ 378 | $ 648 |
| - | - | - | 1,025 | - | 1 | 1 |
| | | | | | | |
| - | - | (252) | (19,360) | - | - | - |
| $ 807 | $ 9,615 | $ 1,069 | $ 89,617 | $ 1,012 | $ 379 | $ 649 |

*Continued on next page*

## Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Graphic Communications | Property Disposal | Engineering Services | Total |
|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | |
| Receipts for Sales and Services | $ 125 | $ 27 | $ 1,515 | $ 765,274 |
| Internal Activity-Receipts from Other Funds | 219 | - | 861 | 352,985 |
| Internal Activity-Payments to Other Funds | (25) | (1) | (93) | (7,801) |
| Payments to Suppliers for Goods and Services | (37) | - | (171) | (111,315) |
| Payments for Prizes, Claims, and Loss Control | - | - | - | (728,991) |
| Payments to Employees | (269) | - | (1,868) | (83,356) |
| Other Operating Revenue | - | - | - | 1 |
| Other Operating Expense | (54) | (20) | (40) | (152,305) |
| Net Cash Provided by (Used for) Operating Activities | (41) | 6 | 204 | 34,492 |
| **Cash Flows from Noncapital Financing Activities:** | | | | |
| Transfers In From Other Funds | - | - | - | 785 |
| Transfers Out to Other Funds | - | - | - | (2,239) |
| Other Noncapital Financing Receipt Activities | - | - | - | 48 |
| Other Noncapital Financing Disbursement Activities | - | - | - | (633) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | - | - | - | (2,039) |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Acquisition of Capital Assets | - | - | - | (17,067) |
| Payment of Principal and Interest on Bonds and Notes | - | - | - | (7,326) |
| Proceeds from Sale of Capital Assets | - | - | - | 527 |
| Net Cash Provided By (Used for) Capital and Related Financing Activities | - | - | - | (23,866) |
| **Cash Flows from Investing Activities:** | | | | |
| Investment Income on Cash, Cash Equivalents, and Investments | - | - | - | 3,592 |
| Net Cash Provided by (Used for) Investing Activities | - | - | - | 3,592 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (41) | 6 | 204 | 12,179 |
| **Cash and Cash Equivalents, July 1** | 102 | 102 | 307 | 174,504 |
| **Cash and Cash Equivalents, June 30** | $ 61 | $ 108 | $ 511 | $ 186,683 |
| **Reconciliation of Cash and Cash Equivalents:** | | | | |
| Per the Statement of Net Assets: | | | | |
| Cash and Cash Equivalents | $ 61 | $ 108 | $ 511 | $ 219,407 |
| Cash and Travel Advances | - | - | - | 1,039 |
| Less: | | | | |
| Securities Lending Cash Equivalents | - | - | - | (33,763) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 61 | $ 108 | $ 511 | $ 186,683 |

| | Virginia Information Technologies Agency | Virginia Correctional Enterprises | Health Care |
|---|---|---|---|
| **Reconciliation of Operating Income** | | | |
| **To Net Cash Provided by (Used for)** | | | |
| **Operating Activities:** | | | |
| Operating Income (Loss) | $ 1,665 | $ 3,262 | $ 12,346 |
| **Adjustments to Reconcile Operating** | | | |
| **Income to Net Cash Provided by (Used for)** | | | |
| **Operating Activities:** | | | |
| Depreciation and Amortization | 8,799 | 1,460 | - |
| Miscellaneous Nonoperating Income | 1 | 315 | - |
| Change in Assets and Liabilities: | | | |
| (Increase) Decrease in Accounts Receivable | 538 | (1,203) | (2,140) |
| (Increase) Decrease in Due From Other Funds | (7,931) | (14) | (1,700) |
| (Increase) Decrease in Inventory | - | (1,697) | - |
| (Increase) Decrease in Prepaid Items | (1,187) | - | 840 |
| Increase (Decrease) in Accounts Payable | 2,809 | 1,214 | 16,193 |
| Increase (Decrease) in Amounts Due to Other Governments | (531) | - | - |
| Increase (Decrease) in Claims Payable | - | - | (7,989) |
| Increase (Decrease) in Due to Other Funds | 292 | 26 | - |
| Increase (Decrease) in Unearned Revenue | 2,342 | (666) | - |
| Increase (Decrease) in Other Liabilities | - | - | - |
| Increase (Decrease) in Long-term Liabilities: Due within One Year | 2,343 | 12 | - |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | 2,593 | 111 | - |
| Net Cash Provided by (Used for) Operating Activities | $ 11,733 | $ 2,820 | $ 17,550 |
| | | | |
| **Noncash Investing, Capital, and Financing Activities:** | | | |
| The following transactions occurred prior to the statement of net assets date: | | | |
| Capital Assets Transferred from State Agencies | $ 10,528 | $ - | $ - |
| Trade-ins of Used Equipment on New Equipment | - | (31) | - |
| Installment Purchases Used to Finance Capital Assets | 1,536 | - | - |
| Capital Asset Addition Included in Accounts Payable | 832 | - | - |
| Total Noncash, Investing, Capital, and Financing Activities | $ 12,896 | $ (31) | $ - |

*Continued on next page*

## Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Fleet Management | Maintenance and Repair | Virginia Distribution Center |
|---|---|---|---|
| **Reconciliation of Operating Income** | | | |
| **To Net Cash Provided by (Used for)** | | | |
| **Operating Activities:** | | | |
| Operating Income (Loss) | $ 1,631 | $ (113) | $ 285 |
| **Adjustments to Reconcile Operating** | | | |
| **Income to Net Cash Provided by (Used for)** | | | |
| **Operating Activities:** | | | |
| Depreciation and Amortization | 5,675 | 129 | 640 |
| Miscellaneous Nonoperating Income | - | - | - |
| Change in Assets and Liabilities: | | | |
| (Increase) Decrease in Accounts Receivable | (1) | 68 | (239) |
| (Increase) Decrease in Due From Other Funds | (12) | 66 | 9 |
| (Increase) Decrease in Inventory | (6) | (25) | 334 |
| (Increase) Decrease in Prepaid Items | - | - | - |
| Increase (Decrease) in Accounts Payable | (21) | 188 | 109 |
| Increase (Decrease) in Amounts Due to Other Governments | - | (379) | - |
| Increase (Decrease) in Claims Payable | - | - | - |
| Increase (Decrease) in Due to Other Funds | (1) | (13) | (1) |
| Increase (Decrease) in Unearned Revenue | - | 254 | - |
| Increase (Decrease) in Other Liabilities | - | - | - |
| Increase (Decrease) in Long-term Liabilities: Due within One Year | (8) | 26 | 2 |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | 1 | 99 | 9 |
| Net Cash Provided by (Used for) Operating Activities | $ 7,258 | $ 300 | $ 1,148 |
| | | | |
| **Noncash Investing, Capital, and Financing Activities:** | | | |
| The following transactions occurred prior to the statement of net assets date: | | | |
| Capital Assets Transferred from State Agencies | $ - | $ - | $ - |
| Trade-ins of Used Equipment on New Equipment | - | - | - |
| Installment Purchases Used to Finance Capital Assets | - | - | - |
| Capital Asset Addition Included in Accounts Payable | - | - | - |
| Total Noncash, Investing, Capital, and Financing Activities | $ - | $ - | $ - |

| Risk Management | Consolidated Laboratory | Federal Surplus Property | State Surplus Property | Graphic Communications | Property Disposal | Engineering Services | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| $ (27,907) | $ 89 | $ (85) | $ 205 | $ (41) | $ 47 | $ 270 | $ (8,346) |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| - | 121 | 45 | 26 | - | - | - | 16,895 |
| - | - | - | - | - | - | - | 316 |
| | | | | | | | |
| (58) | 3 | 51 | 1 | (2) | (2) | (87) | (3,071) |
| (613) | - | - | (1) | (10) | - | (9) | (10,215) |
| - | - | 40 | - | - | - | - | (1,354) |
| - | - | - | - | - | - | - | (347) |
| (2,991) | (6) | (82) | 146 | 3 | (39) | 4 | 17,527 |
| - | - | - | - | - | - | - | (910) |
| 23,752 | - | - | - | - | - | - | 15,763 |
| (1) | - | (1) | - | (6) | - | (1) | 294 |
| 1,542 | - | - | - | 18 | - | (3) | 3,487 |
| (790) | - | - | (1) | - | - | - | (791) |
| (9) | (9) | 1 | 2 | 2 | - | 10 | 2,372 |
| 40 | 5 | (3) | 2 | (5) | - | 20 | 2,872 |
| $ (7,035) | $ 203 | $ (34) | $ 380 | $ (41) | $ 6 | $ 204 | $ 34,492 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 10,528 |
| - | - | - | - | - | - | - | (31) |
| - | - | - | - | - | - | - | 1,536 |
| - | - | - | - | - | - | - | 832 |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 12,865 |

# Fiduciary Funds

## Private Purpose Funds

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

**Unclaimed Property** accounts for unclaimed and escheat property.

**Education Savings Trust Funds** account for the activities of the Virginia Education Savings Trust and College America programs, which are voluntary, non-guaranteed, higher educational investment programs offered by the Virginia College Savings Plan.

**Loan Servicing Reserve** accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

**Edvantage Reserve** accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

**Virginia Revolving Farm Loan Program** accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

**Miscellaneous Trust Funds** account for perpetual trusts created through donation to the state. Earnings are used for the benefit of donor-specified local entities.

## Pension Trust Funds

*Pension Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.*

**The Virginia Retirement System** provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

**The State Police Officers' Retirement System** provides retirement benefits to Virginia state police officers.

**The Judicial Retirement System** provides retirement benefits to the Commonwealth's judiciary.

**The Virginia Law Officers' Retirement System** provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

**Political Appointees** provides optional retirement benefits to selected officials and administrative staff.

**Other Employment Retiree Health Insurance Credit Fund** accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

**Other Employment Group Life Fund** provides life insurance coverage to members of the retirement systems.

**Other Employment Virginia Sickness and Disability** provides income protection to Commonwealth employees for absences caused by sickness or disability.

**Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund** provides optional retirement benefits to volunteer firefighters and rescue squad workers.

## Investment Trust Funds

*Investment Trust Funds reflect the external portions of the investment pools sponsored by the Commonwealth.*

**Local Government Investment Pool (LGIP)** helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

**State Non-Arbitrage Pool (SNAP)** provides investment vehicles for local governmental entities to invest bond proceeds to ensure compliance with the Internal Revenue Code of 1986, as amended.

**SNAP Individual Investment Accounts** represent the aggregate activity of SNAP accounts, which are established for specific local governmental entities.

## Agency Funds

*Agency Funds report those funds for which the Commonwealth acts solely in a custodial capacity. A description of the funds is presented below.*

**Funds for the Collection of Taxes and Fees** account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

**Employee Benefits Fund** accounts for undistributed withholdings for employee benefits.

**Contractor Deposit Fund** (formerly Mined Land Deposits Fund) accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, and from motor fuels retailers to ensure performance meets regulatory standards.

**Deposits of Insurance Carriers Fund** accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

**Inmate and Ward Fund** accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

**Child Support Collections Fund** accounts for court-ordered child support payments that flow through the Department of Social Services.

**Mental Health Patient Fund** accounts for the savings of patients in the Commonwealth's mental health facilities.

**Mental Health Non-patient Fund** accounts for the savings of nonpatients in the Commonwealth's mental health facilities.

**Comptroller's Debt Setoff Fund** accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

**Unclaimed Property of Other States Fund** accounts for unclaimed property that is due to other states.

**Legal Settlement Fund** accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

**Consumer Services Fund** accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund. In prior years, this fund was reported as a separate agency fund.

**Department of State Police Fund** accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

**Aviation Fund** accounts for funds held in lieu of insurance for pilot licensure.

**Virginia School for the Deaf and the Blind Fund** accounts for student funds used to establish new activities for students.

**Woodrow Wilson Rehabilitation Center Fund** accounts for student funds held by the Center.

**Dog and Cat Sterilization Fund** accounts for the collections from individual vehicle registrations designated for dog and cat sterilization programs within the locality of residence.

**Commuter Rail Fund** accounts for funds held in custody for Virginia Railway Express assets.

**Department of Environmental Quality** accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

## Combining Statement of Fiduciary Net Assets – Private Purpose Funds

June 30, 2005
(Dollars in Thousands)

| | Unclaimed Property | Education Savings Trust Funds | Loan Servicing Reserve |
|---|---|---|---|
| **Assets** | | | |
| Cash and Cash Equivalents | $ 9,810 | $ 5,044 | $ 540 |
| Investments: | | | |
| Bonds and Mortgage Securities | 6 | - | - |
| Stocks | 114,341 | 40,197 | - |
| Index and Pooled Funds | - | 143,018 | - |
| Mutual and Money Market Funds | 50,512 | 11,313,219 | - |
| Short-term Investments | - | - | - |
| Other | 180 | 69,725 | - |
| Total Investments | 165,039 | 11,566,159 | - |
| Receivables: | | | |
| Contributions | - | 3 | - |
| Interest and Dividends | - | 498 | - |
| Other Receivables | - | - | - |
| Total Receivables | - | 501 | - |
| Total Assets | 174,849 | 11,571,704 | 540 |
| **Liabilities** | | | |
| Accounts Payable and Accrued Expenses | 198 | 120 | - |
| Obligations Under Securities Lending Program | 709 | - | - |
| Compensated Absences Payable | 152 | - | - |
| Pension Liability | 177 | - | - |
| Total Liabilities | 1,236 | 120 | - |
| Net Assets Held in Trust for Participants | $ 173,613 | $ 11,571,584 | $ 540 |

| Edvantage Reserve | Virginia Revolving Farm Loan Program | Miscellaneous Trust | Total |
|---|---|---|---|
| $ 2,098 | $ 6,459 | $ 22 | $ 23,973 |
| | | | |
| - | - | - | 6 |
| - | - | - | 154,538 |
| - | - | - | 143,018 |
| - | - | - | 11,363,731 |
| - | - | 14 | 14 |
| 85 | 261 | 30 | 70,281 |
| 85 | 261 | 44 | 11,731,588 |
| | | | |
| - | - | - | 3 |
| - | - | - | 498 |
| - | 148 | - | 148 |
| - | 148 | - | 649 |
| 2,183 | 6,868 | 66 | 11,756,210 |
| | | | |
| | | | |
| - | 3 | - | 321 |
| 485 | 1,493 | - | 2,687 |
| - | 10 | - | 162 |
| - | 4 | - | 181 |
| 485 | 1,510 | - | 3,351 |
| | | | |
| $ 1,698 | $ 5,358 | $ 66 | $ 11,752,859 |

## Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds

For the Fiscal Year June 30, 2005
(Dollars in Thousands)

| | Unclaimed Property | Education Savings Trust Funds | Loan Servicing Reserve |
|---|---|---|---|
| **Additions:** | | | |
| Investment Income: | | | |
| Interest, Dividends, and Other | | | |
| Investment Income | $ 14 | $ 770,001 | $ - |
| Less Investment Expenses | - | 13,294 | - |
| Net Investment Income | 14 | 756,707 | - |
| Proceeds from Unclaimed Property | 71,189 | - | - |
| Contributions: | | | |
| Participant | - | 3,847,537 | - |
| Total Contributions | - | 3,847,537 | - |
| Other Revenue | - | - | - |
| Total Additions | 71,203 | 4,604,244 | - |
| **Deductions:** | | | |
| Loan Servicing Payments | - | - | - |
| Tuition Benefits | - | 213,632 | - |
| Insurance Premiums and Claims | 15,351 | - | - |
| Administrative Expenses | 6,483 | 9,147 | - |
| Other Expenses | - | - | - |
| Shares Redeemed | - | 359,661 | - |
| Total Deductions | 21,834 | 582,440 | - |
| Net Increase | 49,369 | 4,021,804 | - |
| | | | |
| **July 1** | 124,244 | 7,549,780 | 540 |
| **June 30** | $ 173,613 | $ 11,571,584 | $ 540 |

| Edvantage Reserve | Virginia Revolving Farm Loan Program | Miscellaneous Trust | Total |
|---|---|---|---|
| | | | |
| | | | |
| $ 48 | $ 161 | $ 1 | $ 770,225 |
| - | - | - | 13,294 |
| 48 | 161 | 1 | 756,931 |
| - | - | - | 71,189 |
| | | | |
| - | - | - | 3,847,537 |
| - | - | - | 3,847,537 |
| 22 | - | - | 22 |
| 70 | 161 | 1 | 4,675,679 |
| | | | |
| 23 | 715 | 1 | 739 |
| - | - | - | 213,632 |
| - | - | - | 15,351 |
| - | 34 | - | 15,664 |
| 10 | - | - | 10 |
| - | - | - | 359,661 |
| 33 | 749 | 1 | 605,057 |
| 37 | (588) | - | 4,070,622 |
| | | | |
| 1,661 | 5,946 | 66 | 7,682,237 |
| $ 1,698 | $ 5,358 | $ 66 | $ 11,752,859 |

## Combining Statement of Fiduciary Net Assets – Pension Trust Funds

June 30, 2005
(Dollars in Thousands)

| | Virginia Retirement System | State Police Officers' Retirement System | Judicial Retirement System | Virginia Law Officers' Retirement System |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 173,956 | $ 2,147 | $ 1,199 | $ 2,433 |
| Investments: | | | | |
| Bonds and Mortgage Securities | 9,039,399 | 114,700 | 64,056 | 128,098 |
| Stocks | 15,074,263 | 191,275 | 106,821 | 213,619 |
| Fixed Income Commingled Funds | 1,500,682 | 19,042 | 10,634 | 21,266 |
| Index and Pooled Funds | 10,411,019 | 132,104 | 73,776 | 147,535 |
| Real Estate | 1,158,623 | 14,702 | 8,210 | 16,419 |
| Venture Capital | 2,099,411 | 26,639 | 14,877 | 29,751 |
| Short-term Investments | 1,332,844 | 16,912 | 9,444 | 18,853 |
| Other | 5,525,966 | 70,118 | 39,159 | 78,309 |
| Total Investments | 46,142,207 | 585,492 | 326,977 | 653,850 |
| Receivables: | | | | |
| Contributions | 116,879 | 819 | 762 | 2,853 |
| Interest and Dividends | 141,059 | 1,790 | 1,000 | 1,999 |
| Receivable for Security Transactions | 2,188,656 | 27,772 | 15,509 | 31,016 |
| Other Receivables | 6,595 | 60 | 34 | 67 |
| Total Receivables | 2,453,189 | 30,441 | 17,305 | 35,935 |
| Due from Other Funds | 2,960 | 2,715 | 1,921 | 2,292 |
| Furniture and Equipment | 5,958 | - | - | - |
| Total Assets | 48,778,270 | 620,795 | 347,402 | 694,510 |
| | | | | |
| **Liabilities** | | | | |
| Accounts Payable and Accrued Expenses | 15,723 | 181 | 101 | 203 |
| Due to Other Funds | 12,505 | - | - | - |
| Obligations Under Securities Lending Program | 3,948,457 | 50,101 | 27,980 | 55,954 |
| Other Liabilities | 1,312 | 9 | 5 | 10 |
| Retirement Benefits Payable | 157,028 | 2,644 | 1,894 | 2,194 |
| Refunds Payable | 6,248 | 9 | - | 333 |
| Compensated Absences Payable | 1,243 | - | - | - |
| Insurance Premiums and Claims Payable | - | - | - | - |
| Payable for Security Transactions | 2,995,273 | 38,007 | 21,225 | 42,446 |
| Pension Liability | 1,494 | 18 | 10 | 8 |
| Total Liabilities | 7,139,283 | 90,969 | 51,215 | 101,148 |
| | | | | |
| Net Assets Held in Trust for Pension/ Other Employment Benefits | $ 41,638,987 | $ 529,826 | $ 296,187 | $ 593,362 |

| Political Appointees | Other Employment Retiree Health Insurance Credit | Other Employment Group Life | Other Employment Virginia Sickness and Disability | Other Employment Volunteer Firefighters and Rescue Squad Workers | Total |
|---|---|---|---|---|---|
| $ - | $ 583 | $ 3,261 | $ 579 | $ - | $ 184,158 |
| 928 | 31,135 | 174,245 | 31,006 | - | 9,583,567 |
| 2,306 | 51,922 | 290,575 | 51,706 | - | 15,982,487 |
| - | 5,169 | 28,928 | 5,147 | - | 1,590,868 |
| 546 | 35,860 | 200,685 | 35,711 | - | 11,037,236 |
| - | 3,991 | 22,334 | 3,974 | - | 1,228,253 |
| - | 7,231 | 40,469 | 7,201 | - | 2,225,579 |
| - | 4,591 | 25,693 | 4,572 | - | 1,412,909 |
| - | 19,034 | 106,519 | 18,954 | 760 | 5,858,819 |
| 3,780 | 158,933 | 889,448 | 158,271 | 760 | 48,919,718 |
| - | 5,221 | 9 | 2,447 | - | 128,990 |
| - | 485 | 2,719 | 484 | - | 149,536 |
| - | 7,539 | 42,189 | 7,507 | - | 2,320,188 |
| - | 34 | 93 | 1,680 | - | 8,563 |
| - | 13,279 | 45,010 | 12,118 | - | 2,607,277 |
| - | 5,577 | - | - | - | 15,465 |
| - | - | - | - | - | 5,958 |
| 3,780 | 178,372 | 937,719 | 170,968 | 760 | 51,732,576 |
| - | 5,849 | 276 | 2,414 | - | 24,747 |
| - | 1,600 | 859 | 501 | - | 15,465 |
| - | 13,600 | 76,112 | 13,543 | - | 4,185,747 |
| - | 3 | 13 | 2 | - | 1,354 |
| - | - | - | - | - | 163,760 |
| - | 47 | 26 | 1 | - | 6,664 |
| - | - | - | - | - | 1,243 |
| - | - | 30,878 | - | - | 30,878 |
| - | 10,317 | 57,738 | 10,274 | - | 3,175,280 |
| - | 26 | 60 | 39 | - | 1,655 |
| - | 31,442 | 165,962 | 26,774 | - | 7,606,793 |
| $ 3,780 | $ 146,930 | $ 771,757 | $ 144,194 | $ 760 | $ 44,125,783 |

## Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Virginia Retirement System | State Police Officers' Retirement System | Judicial Retirement System | Virginia Law Officers' Retirement System |
|---|---|---|---|---|
| **Additions:** | | | | |
| Investment Income: | | | | |
| Interest, Dividends, and Other | | | | |
| Investment Income | $ 4,685,196 | $ 59,422 | $ 33,012 | $ 62,624 |
| Total Investment Income | 4,685,196 | 59,422 | 33,012 | 62,624 |
| Less Investment Expenses | 231,861 | 2,941 | 1,633 | 3,099 |
| Net Investment Income | 4,453,335 | 56,481 | 31,379 | 59,525 |
| Contributions: | | | | |
| Member | 663,272 | 4,886 | 2,658 | 15,569 |
| Employer | 701,620 | 14,477 | 15,269 | 50,510 |
| Total Contributions | 1,364,892 | 19,363 | 17,927 | 66,079 |
| Other Revenue | 743 | - | - | - |
| Total Additions | 5,818,970 | 75,844 | 49,306 | 125,604 |
| **Deductions:** | | | | |
| Retirement Benefits | 1,865,776 | 30,487 | 24,108 | 25,100 |
| Refunds to Former Members | 78,709 | 1,053 | 42 | 4,927 |
| Retiree Health Insurance Credits | - | - | - | - |
| Insurance Premiums and Claims | - | - | - | - |
| Administrative Expenses | 18,206 | 203 | 113 | 208 |
| Other Expenses | - | - | - | - |
| Long-term Disability Benefits | - | - | - | - |
| Total Deductions | 1,962,691 | 31,743 | 24,263 | 30,235 |
| **Transfers:** | | | | |
| Transfers In | - | - | - | 230 |
| Transfers Out | (230) | - | - | - |
| Total Transfers | (230) | - | - | 230 |
| Net Increase | 3,856,049 | 44,101 | 25,043 | 95,599 |
| | | | | |
| **July 1** | 37,782,938 | 485,725 | 271,144 | 497,763 |
| **June 30** | $ 41,638,987 | $ 529,826 | $ 296,187 | $ 593,362 |

| Political Appointees | Other Employment Retiree Health Insurance Credit | Other Employment Group Life | Other Employment Virginia Sickness and Disability | Other Employment Volunteer Firefighters and Rescue Squad Workers | Total |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| $ 257 | $ 14,245 | $ 96,314 | $ 13,385 | $ 72 | $ 4,964,527 |
| 257 | 14,245 | 96,314 | 13,385 | 72 | 4,964,527 |
| - | 705 | 4,814 | 662 | - | 245,715 |
| 257 | 13,540 | 91,500 | 12,723 | 72 | 4,718,812 |
| | | | | | |
| 379 | - | 16 | - | 45 | 686,825 |
| 297 | 81,995 | - | 54,505 | 76 | 918,749 |
| 676 | 81,995 | 16 | 54,505 | 121 | 1,605,574 |
| - | - | - | - | - | 743 |
| 933 | 95,535 | 91,516 | 67,228 | 193 | 6,325,129 |
| | | | | | |
| 247 | - | - | - | - | 1,945,718 |
| - | - | - | - | 8 | 84,739 |
| - | 68,966 | - | - | - | 68,966 |
| - | - | 97,041 | - | - | 97,041 |
| 10 | 509 | 679 | 477 | - | 20,405 |
| - | - | 444 | - | - | 444 |
| - | - | - | 25,840 | - | 25,840 |
| 257 | 69,475 | 98,164 | 26,317 | 8 | 2,243,153 |
| | | | | | |
| - | - | - | - | - | 230 |
| - | - | - | - | - | (230) |
| - | - | - | - | - | - |
| 676 | 26,060 | (6,648) | 40,911 | 185 | 4,081,976 |
| | | | | | |
| 3,104 | 120,870 | 778,405 | 103,283 | 575 | 40,043,807 |
| $ 3,780 | $ 146,930 | $ 771,757 | $ 144,194 | $ 760 | $ 44,125,783 |

## Combining Statement of Fiduciary Net Assets – Investment Trust Funds

June 30, 2005
(Dollars in Thousands)

| | Local Government Investment Pool (LGIP) | State Non-Arbitrage Pool (SNAP) | SNAP Individual Investment Accounts | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 1,396,886 | $ 1,665,032 | $ 12,793 | $ 3,074,711 |
| Investments: | | | | |
| Short-term Investments | 904,709 | - | 390,703 | 1,295,412 |
| Total Investments | 904,709 | - | 390,703 | 1,295,412 |
| Receivables: | | | | |
| Interest and Dividends | 7,408 | - | 576 | 7,984 |
| Total Receivables | 7,408 | - | 576 | 7,984 |
| Other Assets | - | 9,140 | - | 9,140 |
| Total Assets | 2,309,003 | 1,674,172 | 404,072 | 4,387,247 |
| **Liabilities** | | | | |
| Other Liabilities | 4 | 147,464 | - | 147,468 |
| Total Liabilities | 4 | 147,464 | - | 147,468 |
| Net Assets Held in Trust for Pool Participants | $ 2,308,999 | $ 1,526,708 | $ 404,072 | $ 4,239,779 |

## Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Local Government Investment Pool (LGIP) | State Non-Arbitrage Pool (SNAP) | SNAP Individual Investment Accounts | Total |
|---|---|---|---|---|
| **Additions:** | | | | |
| Investment Income: | | | | |
| Interest, Dividends, and Other | | | | |
| Investment Income | $ 42,485 | $ 27,755 | $ 5,696 | $ 75,936 |
| Distributions to Shareholders from Net Investment Income | (39,421) | - | - | (39,421) |
| Total Investment Income | 3,064 | 27,755 | 5,696 | 36,515 |
| Less Investment Expenses | - | - | - | - |
| Net Investment Income | 3,064 | 27,755 | 5,696 | 36,515 |
| Shares Sold | 3,700,156 | 1,633,895 | 16,963 | 5,351,014 |
| Reinvested Distributions | 39,421 | - | - | 39,421 |
| Total Additions | 3,742,641 | 1,661,650 | 22,659 | 5,426,950 |
| **Deductions:** | | | | |
| Shares Redeemed | (3,685,436) | (1,301,088) | - | (4,986,524) |
| Total Deductions | (3,685,436) | (1,301,088) | - | (4,986,524) |
| **Transfers:** | | | | |
| Distribution | - | (574,517) | 574,517 | - |
| Maturities | - | 350,138 | (350,138) | - |
| Investment Income | - | 4,617 | (4,617) | - |
| Total Transfers | - | (219,762) | 219,762 | - |
| Net Increase (Decrease) | 57,205 | 140,800 | 242,421 | 440,426 |
| Net Assets Held in Trust for Pool Participants | | | | |
| **July 1, as restated** | 2,251,794 | 1,385,908 | 161,651 | 3,799,353 |
| **June 30** | $ 2,308,999 | $ 1,526,708 | $ 404,072 | $ 4,239,779 |

## Combining Statement of Fiduciary Net Assets – Agency Funds

June 30, 2005
(Dollars in Thousands)

| | Funds for the Collection of Taxes | Employee Benefits | Contractor Deposits | Deposits of Insurance Carriers |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 157,528 | $ 4,295 | $ 28,050 | $ 3,221 |
| Investments: | | | | |
| Short-term Investments | - | - | - | 405,890 |
| Other | 44 | - | 428 | - |
| Total Investments | 44 | - | 428 | 405,890 |
| Receivables: | | | | |
| Accounts | 57,702 | - | - | 11 |
| Total Receivables | 57,702 | - | - | 11 |
| Other Assets | - | - | - | - |
| Total Assets | $ 215,274 | $ 4,295 | $ 28,478 | $ 409,122 |
| | | | | |
| **Liabilities** | | | | |
| Accounts Payable and Accrued Expenses | $ - | $ 4,295 | $ - | $ - |
| Amounts Due to Other Governments | 215,024 | - | - | - |
| Obligations Under Securities Lending Program | 250 | - | 2,440 | - |
| Other Liabilities | - | - | 26,038 | 409,122 |
| Insurance Premiums and Claims Payable | - | - | - | - |
| Total Liabilities | $ 215,274 | $ 4,295 | $ 28,478 | $ 409,122 |

| Inmate and Ward | Child Support Collection | Mental Health Patient | Mental Health Non-Patient | Comptroller's Debt Setoff | Unclaimed Property of Other States | Legal Settlement | Consumer Services |
|---|---|---|---|---|---|---|---|
| $ 5,795 | $ 8,276 | $ 1,827 | $ 22 | $ 821 | $ 1,565 | $ 1,536 | $ 473 |
| 1,179 | - | 541 | - | - | - | - | 283 |
| - | - | - | - | - | - | 18 | - |
| 1,179 | - | 541 | - | - | - | 18 | 283 |
| 264 | - | - | - | - | - | - | - |
| 264 | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,560 | - | - |
| $ 7,238 | $ 8,276 | $ 2,368 | $ 22 | $ 821 | $ 3,125 | $ 1,554 | $ 756 |
| $ 1,701 | $ - | $ - | $ - | $ - | $ - | $ - | $ 49 |
| - | - | - | - | - | 3,125 | - | - |
| - | - | - | - | - | - | 103 | - |
| 5,537 | 8,276 | 2,368 | 22 | 821 | - | 1,451 | 707 |
| - | - | - | - | - | - | - | - |
| $ 7,238 | $ 8,276 | $ 2,368 | $ 22 | $ 821 | $ 3,125 | $ 1,554 | $ 756 |

*Continued on next page*

**Combining Statement of Fiduciary Net Assets – Agency Funds** *(Continued from previous page)*

June 30, 2005
(Dollars in Thousands)

| | Department of State Police | Aviation | Virginia School for the Deaf and Blind | Woodrow Wilson Rehabilitation Center |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 1,015 | $ 102 | $ 29 | $ 6 |
| Investments: | | | | |
| Short-term Investments | 123 | 68 | - | - |
| Other | - | - | - | - |
| Total Investments | 123 | 68 | - | - |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Total Receivables | - | - | - | - |
| Other Assets | - | - | - | - |
| Total Assets | $ 1,138 | $ 170 | $ 29 | $ 6 |
| | | | | |
| **Liabilities** | | | | |
| Accounts Payable and Accrued Expenses | $ - | $ - | $ - | $ - |
| Amounts Due to Other Governments | - | - | - | - |
| Obligations Under Securities Lending Program | - | - | - | - |
| Other Liabilities | 1,138 | 170 | 29 | 6 |
| Insurance Premiums and Claims Payable | - | - | - | - |
| Total Liabilities | $ 1,138 | $ 170 | $ 29 | $ 6 |

| Dog and Cat Sterilization | Commuter Rail | Department of Environmental Quality | Total |
|---|---|---|---|
| $ 2 | $ 4,492 | $ 1,656 | $ 220,711 |
| - | - | - | 408,084 |
| - | 9,468 | - | 9,958 |
| - | 9,468 | - | 418,042 |
| - | - | - | 57,977 |
| - | - | - | 57,977 |
| - | 50 | - | 1,610 |
| $ 2 | $ 14,010 | $ 1,656 | $ 698,340 |
| $ - | $ - | $ - | $ 6,045 |
| 2 | - | - | 218,151 |
| - | 985 | - | 3,778 |
| - | 12,767 | 1,656 | 470,108 |
| - | 258 | - | 258 |
| $ 2 | $ 14,010 | $ 1,656 | $ 698,340 |

**Combining Statement of Changes in Assets and Liabilities – Agency Funds**

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Balance July 1 as restated | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Funds for the Collection of Taxes and Fees** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 140,846 | $ 1,185,707 | $ 1,169,025 | $ 157,528 |
| Investments - Other | 270 | 44 | 270 | 44 |
| Due from Other Funds | 3 | - | 3 | - |
| Accounts Receivable (Net) | 55,611 | 57,702 | 55,611 | 57,702 |
| Total Assets | $ 196,730 | $ 1,243,453 | $ 1,224,909 | $ 215,274 |
| Liabilities: | | | | |
| Amounts Due to Other Governments | $ 196,460 | $ 1,243,203 | $ 1,224,639 | $ 215,024 |
| Obligations Under Securities Lending Program | 270 | 250 | 270 | 250 |
| Total Liabilities | $ 196,730 | $ 1,243,453 | $ 1,224,909 | $ 215,274 |
| **Employee Benefits** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 3,249 | $ 201,184 | $ 200,138 | $ 4,295 |
| Total Assets | $ 3,249 | $ 201,184 | $ 200,138 | $ 4,295 |
| Liabilities: | | | | |
| Accounts Payable and Accrued Expenses | $ 3,249 | $ 201,184 | $ 200,138 | $ 4,295 |
| Total Liabilities | $ 3,249 | $ 201,184 | $ 200,138 | $ 4,295 |
| **Contractor Deposits Fund** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 23,267 | $ 11,729 | $ 6,946 | $ 28,050 |
| Investments - Other | 2,106 | 428 | 2,106 | 428 |
| Due from Other Funds | 34 | - | 34 | - |
| Total Assets | $ 25,407 | $ 12,157 | $ 9,086 | $ 28,478 |
| Liabilities: | | | | |
| Obligations Under Securities Lending Program | $ 2,106 | $ 2,440 | $ 2,106 | $ 2,440 |
| Other Liabilities | 23,301 | 9,717 | 6,980 | 26,038 |
| Total Liabilities | $ 25,407 | $ 12,157 | $ 9,086 | $ 28,478 |
| **Deposits of Insurance Carriers** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 9,706 | $ 342 | $ 6,827 | $ 3,221 |
| Accounts Receivable | - | 11 | - | 11 |
| Investments - Short-term | 387,746 | 107,826 | 89,682 | 405,890 |
| Total Assets | $ 397,452 | $ 108,179 | $ 96,509 | $ 409,122 |
| Liabilities: | | | | |
| Other Liabilities | $ 397,452 | $ 108,179 | $ 96,509 | $ 409,122 |
| Total Liabilities | $ 397,452 | $ 108,179 | $ 96,509 | $ 409,122 |

| | Balance July 1 as restated | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Inmate and Ward** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 5,432 | $ 740 | $ 377 | $ 5,795 |
| Investments - Short-term | 805 | 374 | - | 1,179 |
| Accounts Receivable | 508 | 13 | 257 | 264 |
| Total Assets | $ 6,745 | $ 1,127 | $ 634 | $ 7,238 |
| Liabilities: | | | | |
| Accounts Payable and Accrued Expenses | $ 1,583 | $ 118 | $ - | $ 1,701 |
| Due to Other Funds | 151 | - | 151 | - |
| Other Liabilities | 5,011 | 1,009 | 483 | 5,537 |
| Total Liabilities | $ 6,745 | $ 1,127 | $ 634 | $ 7,238 |
| | | | | |
| **Child Support Collections** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 8,575 | $ 545,018 | $ 545,317 | $ 8,276 |
| Total Assets | $ 8,575 | $ 545,018 | $ 545,317 | $ 8,276 |
| Liabilities: | | | | |
| Other Liabilities | $ 8,575 | $ 545,018 | $ 545,317 | $ 8,276 |
| Total Liabilities | $ 8,575 | $ 545,018 | $ 545,317 | $ 8,276 |
| | | | | |
| **Mental Health Patient** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 1,873 | $ 4,145 | $ 4,191 | $ 1,827 |
| Investments - Short-term | 573 | 11 | 43 | 541 |
| Total Assets | $ 2,446 | $ 4,156 | $ 4,234 | $ 2,368 |
| Liabilities: | | | | |
| Other Liabilities | $ 2,446 | $ 4,156 | $ 4,234 | $ 2,368 |
| Total Liabilities | $ 2,446 | $ 4,156 | $ 4,234 | $ 2,368 |
| | | | | |
| **Mental Health Non-patient** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 23 | $ 4 | $ 5 | $ 22 |
| Total Assets | $ 23 | $ 4 | $ 5 | $ 22 |
| Liabilities: | | | | |
| Other Liabilities | $ 23 | $ 4 | $ 5 | $ 22 |
| Total Liabilities | $ 23 | $ 4 | $ 5 | $ 22 |

*Continued on next page*

**Combining Statement of Changes in Assets and Liabilities –**
**Agency Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Balance July 1 as restated | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Comptroller's Debt Setoff** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 960 | $ 7,616 | $ 7,755 | $ 821 |
| Total Assets | $ 960 | $ 7,616 | $ 7,755 | $ 821 |
| Liabilities: | | | | |
| Other Liabilities | $ 960 | $ 7,616 | $ 7,755 | $ 821 |
| Total Liabilities | $ 960 | $ 7,616 | $ 7,755 | $ 821 |
| **Unclaimed Property of Other States** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 2,157 | $ 95 | $ 687 | $ 1,565 |
| Other Assets | - | 1,560 | - | 1,560 |
| Total Assets | $ 2,157 | $ 1,655 | $ 687 | $ 3,125 |
| Liabilities: | | | | |
| Amounts Due to Other Governments | $ 2,157 | $ 1,655 | $ 687 | $ 3,125 |
| Total Liabilities | $ 2,157 | $ 1,655 | $ 687 | $ 3,125 |
| **Legal Settlement** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 1,739 | $ 1,375 | $ 1,578 | $ 1,536 |
| Investments - Other | 275 | 18 | 275 | 18 |
| Total Assets | $ 2,014 | $ 1,393 | $ 1,853 | $ 1,554 |
| Liabilities: | | | | |
| Other Liabilities | $ 1,739 | $ 1,290 | $ 1,578 | $ 1,451 |
| Obligations Under Securities Lending Program | 275 | 103 | 275 | 103 |
| Total Liabilities | $ 2,014 | $ 1,393 | $ 1,853 | $ 1,554 |
| **Consumer Services** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 326 | $ 506 | $ 359 | $ 473 |
| Investments - Short-term | 246 | 83 | 46 | 283 |
| Total Assets | $ 572 | $ 589 | $ 405 | $ 756 |
| Liabilities: | | | | |
| Other Liabilities | $ 570 | $ 529 | $ 392 | $ 707 |
| Accounts Payable and Accrued Expenses | 2 | 60 | 13 | 49 |
| Total Liabilities | $ 572 | $ 589 | $ 405 | $ 756 |

| | Balance July 1 as restated | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Department of State Police** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 657 | $ 1,974 | $ 1,616 | $ 1,015 |
| Investments - Short-term | 112 | 147 | 136 | 123 |
| Total Assets | $ 769 | $ 2,121 | $ 1,752 | $ 1,138 |
| Liabilities: | | | | |
| Other Liabilities | $ 769 | $ 2,121 | $ 1,752 | $ 1,138 |
| Total Liabilities | $ 769 | $ 2,121 | $ 1,752 | $ 1,138 |
| **Aviation** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 94 | $ 38 | $ 30 | $ 102 |
| Investments - Short-term | 73 | 21 | 26 | 68 |
| Total Assets | $ 167 | $ 59 | $ 56 | $ 170 |
| Liabilities: | | | | |
| Other Liabilities | $ 167 | $ 59 | $ 56 | $ 170 |
| Total Liabilities | $ 167 | $ 59 | $ 56 | $ 170 |
| **Virginia School for the Deaf and Blind** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 35 | $ 20 | $ 26 | $ 29 |
| Total Assets | $ 35 | $ 20 | $ 26 | $ 29 |
| Liabilities: | | | | |
| Other Liabilities | $ 35 | $ 20 | $ 26 | $ 29 |
| Total Liabilities | $ 35 | $ 20 | $ 26 | $ 29 |
| **Woodrow Wilson Rehabilitation Center** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 6 | $ 48 | $ 48 | $ 6 |
| Total Assets | $ 6 | $ 48 | $ 48 | $ 6 |
| Liabilities: | | | | |
| Other Liabilities | $ 6 | $ 48 | $ 48 | $ 6 |
| Total Liabilities | $ 6 | $ 48 | $ 48 | $ 6 |

*Continued on next page*

**Combining Statement of Changes in Assets and Liabilities –**
**Agency Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | Balance July 1 as restated | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Dog and Cat Sterilization** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 2 | $ 154 | $ 154 | $ 2 |
| Total Assets | $ 2 | $ 154 | $ 154 | $ 2 |
| Liabilities: | | | | |
| Amounts Due to Other Governments | $ 2 | $ 154 | $ 154 | $ 2 |
| Total Liabilities | $ 2 | $ 154 | $ 154 | $ 2 |
| **Commuter Rail** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 2,874 | $ 6,438 | $ 4,820 | $ 4,492 |
| Accounts Receivable | 7 | . | 7 | - |
| Investments-Other | 13,195 | 2,659 | 6,386 | 9,468 |
| Other Assets | 50 | - | - | 50 |
| Total Assets | $ 16,126 | $ 9,097 | $ 11,213 | $ 14,010 |
| Liabilities: | | | | |
| Claims Payable | $ 258 | $ - | $ - | $ 258 |
| Obligations Under Securities Lending | 427 | 985 | 427 | 985 |
| Other Liabilities | 15,441 | 8,112 | 10,786 | 12,767 |
| Total Liabilities | $ 16,126 | $ 9,097 | $ 11,213 | $ 14,010 |
| **Environmental Quality** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 3,000 | $ - | $ 1,344 | $ 1,656 |
| Total Assets | $ 3,000 | $ - | $ 1,344 | $ 1,656 |
| Liabilities: | | | | |
| Other Liabilities | $ 3,000 | $ - | $ 1,344 | $ 1,656 |
| Total Liabilities | $ 3,000 | $ - | $ 1,344 | $ 1,656 |

| | Balance July 1 as restated | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Totals - Agency Funds** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 204,821 | $ 1,967,133 | $ 1,951,243 | $ 220,711 |
| Investments - Short-term | 389,555 | 108,462 | 89,933 | 408,084 |
| Investments - Other | 15,846 | 3,149 | 9,037 | 9,958 |
| Accounts Receivable (Net) | 56,126 | 57,726 | 55,875 | 57,977 |
| Due from Other Funds | 37 | - | 37 | - |
| Other Assets | 50 | 1,560 | - | 1,610 |
| Total Assets | $ 666,435 | $ 2,138,030 | $ 2,106,125 | $ 698,340 |
| Liabilities: | | | | |
| Accounts Payable and Accrued Expenses | $ 4,834 | $ 201,362 | $ 200,151 | $ 6,045 |
| Amounts Due to Other Governments | 198,619 | 1,245,012 | 1,225,480 | 218,151 |
| Due to Other Funds | 151 | - | 151 | - |
| Obligations Under Securities Lending Program | 3,078 | 3,778 | 3,078 | 3,778 |
| Other Liabilities | 459,495 | 687,878 | 677,265 | 470,108 |
| Insurance Premiums and Claims Payable | 258 | - | - | 258 |
| Total Liabilities | $ 666,435 | $ 2,138,030 | $ 2,106,125 | $ 698,340 |

# Nonmajor Component Units

*Component Units are organizations that are legally separate from the Commonwealth of Virginia. Each discrete Component Unit serves or benefits those outside of the primary government.*

**The Virginia Economic Development Partnership** works to enhance and increase the Commonwealth's commerce and trade.

**The Virginia Outdoors Foundation** promotes preservation and fund raising for the purchase of preservation land.

**The Virginia Port Authority** is empowered to maintain and operate Virginia's harbors and ports.

**The Virginia Resources Authority** provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

**The Virginia Tourism Authority** promotes tourism and film production industries of the Commonwealth.

**The Virginia Tobacco Settlement Foundation** determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

**The Tobacco Indemnification and Community Revitalization Commission** determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

**The Hampton Roads Sanitation District Commission** operates a sewage system for 17 localities in the Chesapeake Bay Area.

**The Virginia Biotechnology Research Park Authority** assists in the development of a biotechnology research park.

**The Virginia Small Business Financing Authority** assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

**The Virginia School for the Deaf and Blind Foundation** operates exclusively for the benefit of the Virginia Schools for the Deaf and Blind.

**The Science Museum of Virginia Foundation** operates to implement and fund projects and operations of the Science Museum of Virginia.

**The Virginia Museum of Fine Arts Foundation** implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

**The A. L. Philpott Manufacturing Extension Partnership** promotes industrial expansion by providing consulting services to manufacturers.

**The Virginia Equine Center Foundation** operates the Equine Center for the benefit of the equine industry.

**The Certified Nursing Facility Education Initiative** provides early on-site training and assistance to certified nursing facilities to help identify and correct deficiencies.

**The Virginia Land Conservation Foundation** acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

**The Virginia Arts Foundation** works to promote the arts in the Commonwealth.

**The Library of Virginia Foundation** promotes and supports the Library of Virginia.

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

**Other Higher Education** includes:

- The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science
- Virginia Military Institute
- Virginia State University
- Norfolk State University
- University of Mary Washington
- James Madison University
- Radford University
- Old Dominion University
- George Mason University
- Virginia Community College System
- Christopher Newport University
- Longwood University
- Southwest Virginia Higher Education Center
- Roanoke Higher Education Authority
- Innovative Technology Authority
- Institute for Advanced Learning and Research
- Virginia College Building Authority

## Combining Statement of Net Assets – Nonmajor Component Units

June 30, 2005
(Dollars in Thousands)

| | Virginia Economic Development Partnership | Virginia Outdoors Foundation | Virginia Port Authority | Virginia Resources Authority |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 1,098 | $ 2,163 | $ 23,109 | $ 161,824 |
| Investments | 697 | 1,341 | 19,867 | 294,252 |
| Receivables, Net | 28 | 102 | 25,412 | 1,756,871 |
| Contributions Receivable, Net | - | - | - | - |
| Due From Primary Government | - | - | - | - |
| Due from Component Units | - | - | - | - |
| Inventory | - | 3 | 10,023 | - |
| Prepaid Items | 19 | 9 | 11,471 | - |
| Other Assets | 347 | - | 6,712 | 19 |
| Restricted Cash and Cash Equivalents | - | - | 82,680 | 56,412 |
| Restricted Investments | - | - | 60,129 | 5,138 |
| Other Restricted Assets | - | - | - | - |
| Nondepreciable Capital Assets | - | 5,163 | 272,242 | - |
| Depreciable Capital Assets, Net | 563 | 1,612 | 335,229 | 68 |
| Total Assets | 2,752 | 10,393 | 846,874 | 2,274,584 |
| **Liabilities** | | | | |
| Accounts Payable | 297 | 158 | 19,714 | 70 |
| Amounts Due to Other Governments | - | - | - | - |
| Due to Component Units | - | - | - | - |
| Unearned Revenue | - | - | - | 696 |
| Obligations Under Securities Lending Program | - | - | 2,799 | - |
| Other Liabilities | - | 12 | 9,945 | 12,521 |
| Loans Payable to Primary Government | - | - | - | - |
| Long-term Liabilities: | | | | |
| Due Within One Year | 438 | 64 | 23,890 | 45,829 |
| Due in More Than One Year | 1,746 | 142 | 446,151 | 1,240,520 |
| Total Liabilities | 2,481 | 376 | 502,499 | 1,299,636 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 563 | 6,775 | 216,478 | 68 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | - | - | - | - |
| Other | - | - | - | - |
| Expendable: | | | | |
| Higher Education | - | - | - | - |
| Virginia Pooled Financing Program | - | - | - | 5,149 |
| Capital Projects / Construction / Capital Acquisition | - | - | - | 966,330 |
| Debt Service | - | - | 91,763 | - |
| Bond Indenture | - | - | - | - |
| Other | - | - | - | - |
| Unrestricted | (292) | 3,242 | 36,134 | 3,401 |
| Total Net Assets | $ 271 | $ 10,017 | $ 344,375 | $ 974,948 |

| Virginia Tourism Authority | Virginia Tobacco Settlement Foundation | Tobacco Indemnification and Communication Revitalization Commission | Hampton Roads Sanitation District Commission | Virginia Biotechnology Research Park Authority | Virginia Small Business Financing Authority | Virginia School for the Deaf and Blind Foundation |
|---|---|---|---|---|---|---|
| $ 967 | $ 9,770 | $ 116,873 | $ 18,858 | $ 2,063 | $ 12,632 | $ 88 |
| 604 | 396 | 4,733 | 65,882 | 20 | 2,222 | 2,645 |
| - | - | 486 | 16,349 | 80,588 | 14,085 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 1,554 | 60 | 5 | - | 12 | - | - |
| 2 | 7 | 3,938 | 2,721 | 343 | - | - |
| - | - | - | 6,871 | - | 5,358 | - |
| - | - | 390,228 | - | - | - | - |
| - | - | - | - | - | 2,483 | - |
| - | - | - | 65,387 | 5,057 | - | - |
| 141 | 1 | 11 | 345,029 | 18,073 | - | - |
| 3,268 | 10,234 | 516,274 | 521,097 | 106,156 | 36,780 | 2,733 |
| | | | | | | |
| | | | | | | |
| 248 | 72 | 91 | 14,680 | 270 | 9 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 221 | - | - | - | 26,685 | - | - |
| - | 2,258 | 27,008 | - | - | 3,571 | - |
| - | 804 | 15,299 | 1,826 | 466 | 2,484 | - |
| - | - | - | - | - | - | - |
| | | | | | | |
| 223 | 19 | 21 | 14,916 | 2,979 | - | - |
| 497 | 110 | 59 | 130,742 | 64,360 | 32 | - |
| 1,189 | 3,263 | 42,478 | 162,164 | 94,760 | 6,096 | - |
| | | | | | | |
| | | | | | | |
| 130 | 1 | 11 | 271,907 | 10,401 | - | - |
| | | | | | | |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 6,871 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 390,228 | - | - | - | - |
| 1,949 | 6,970 | 83,557 | 80,155 | 995 | 30,684 | 2,733 |
| $ 2,079 | $ 6,971 | $ 473,796 | $ 358,933 | $ 11,396 | $ 30,684 | $ 2,733 |

*Continued on next page*

**Combining Statement of Net Assets – Nonmajor Component Units** *(Continued from previous page)*

June 30, 2005
(Dollars in Thousands)

| | Science Museum of Virginia Foundation | Virginia Museum of Fine Arts Foundation | A. L. Philpott Manufacturing Extension Partnership | Virginia Equine Center Foundation |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 377 | $ 1,545 | $ 1,332 | $ 167 |
| Investments | 847 | 5,392 | - | 463 |
| Receivables, Net | 227 | 1,011 | 722 | 249 |
| Contributions Receivable, Net | 194 | 36,863 | - | 150 |
| Due From Primary Government | 400 | - | - | - |
| Due from Component Units | - | - | - | - |
| Inventory | - | - | - | 114 |
| Prepaid Items | 10 | - | 27 | 606 |
| Other Assets | - | 316 | - | 2 |
| Restricted Cash and Cash Equivalents | 723 | - | - | 1 |
| Restricted Investments | 6,485 | 146,520 | - | 1,488 |
| Other Restricted Assets | 3,785 | 6,388 | - | - |
| Nondepreciable Capital Assets | 390 | 54 | - | 2,826 |
| Depreciable Capital Assets, Net | 520 | 1,467 | 44 | 12,503 |
| Total Assets | 13,958 | 199,556 | 2,125 | 18,569 |
| **Liabilities** | | | | |
| Accounts Payable | 2 | 199 | 482 | 396 |
| Amounts Due to Other Governments | - | - | - | - |
| Due to Component Units | - | - | - | - |
| Unearned Revenue | - | - | 326 | 63 |
| Obligations Under Securities Lending Program | - | - | - | - |
| Other Liabilities | - | - | - | 481 |
| Loans Payable to Primary Government | - | - | - | - |
| Long-term Liabilities: | | | | |
| Due Within One Year | - | - | 146 | 228 |
| Due in More Than One Year | 885 | 8,765 | - | 15,344 |
| Total Liabilities | 887 | 8,964 | 954 | 16,512 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 910 | 667 | 44 | (243) |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | - | - | - | - |
| Other | 5,002 | 78,773 | - | - |
| Expendable: | | | | |
| Higher Education | - | - | - | - |
| Virginia Pooled Financing Program | - | - | - | - |
| Capital Projects / Construction / Capital Acquisition | - | - | - | - |
| Debt Service | - | - | - | - |
| Bond Indenture | - | - | - | - |
| Other | 5,301 | 84,283 | - | 615 |
| Unrestricted | 1,858 | 26,869 | 1,127 | 1,685 |
| Total Net Assets | $ 13,071 | $ 190,592 | $ 1,171 | $ 2,057 |

| Cerfitied Nursing Facility Education Initiative | Virginia Land Conservation Foundation | Virginia Arts Foundation | Library of Virginia Foundation | College of William and Mary | Virginia Military Institute | Virginia State University |
|---|---|---|---|---|---|---|
| $ 51 | $ 17,306 | $ 468 | $ 151 | $ 35,818 | $ 9,565 | $ 27,217 |
| - | 701 | 19 | 3,735 | 18,069 | 83,895 | 4,400 |
| 12 | - | - | 15 | 12,946 | 2,333 | 4,589 |
| - | - | - | - | 13,301 | 31,033 | - |
| - | - | - | - | 12 | 4,417 | 635 |
| - | - | - | - | 71 | 71 | 1,026 |
| - | - | - | 32 | 516 | 3,025 | 440 |
| 2 | - | - | 2 | 1,446 | 620 | 2,159 |
| - | - | - | - | 6,766 | 359 | 783 |
| - | - | - | 12 | 43,828 | 11,036 | 7,264 |
| - | - | - | 459 | 359,889 | 204,543 | 11,546 |
| - | - | - | - | 96,646 | 13,514 | - |
| - | - | - | - | 159,005 | 28,438 | 30,935 |
| 4 | - | - | - | 163,829 | 47,863 | 62,978 |
| 69 | 18,007 | 487 | 4,406 | 912,142 | 440,712 | 153,972 |
| | | | | | | |
| 9 | 3 | - | 4 | 26,664 | 8,740 | 6,070 |
| - | - | - | - | - | 1,233 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 6,628 | 617 | 2,954 |
| - | 3,999 | 108 | - | 2,398 | 1,447 | 5,051 |
| - | - | - | - | 12,659 | 1,933 | 4,927 |
| - | - | - | - | 769 | - | - |
| | | | | | | |
| - | - | - | - | 11,780 | 2,594 | 4,070 |
| - | - | - | - | 87,409 | 34,931 | 36,394 |
| 9 | 4,002 | 108 | 4 | 148,307 | 51,495 | 59,466 |
| | | | | | | |
| 4 | - | - | - | 273,149 | 61,075 | 68,750 |
| | | | | | | |
| - | - | - | - | 296,301 | 91,214 | 5,085 |
| - | - | 379 | 175 | - | - | - |
| | | | | | | |
| - | - | - | - | 153,212 | 161,592 | 10,109 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 296 | - | - | - |
| 56 | 14,005 | - | 3,931 | 41,173 | 75,336 | 10,562 |
| $ 60 | $ 14,005 | $ 379 | $ 4,402 | $ 763,835 | $ 389,217 | $ 94,506 |

*Continued on next page*

**Combining Statement of Net Assets – Nonmajor Component Units** *(Continued from previous page)*

June 30, 2005
(Dollars in Thousands)

| | Norfolk State University | University of Mary Washington | James Madison University | Radford University |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 12,353 | $ 14,910 | $ 66,635 | $ 25,951 |
| Investments | 2,952 | 2,380 | 8,891 | 2,192 |
| Receivables, Net | 4,882 | 655 | 10,318 | 5,627 |
| Contributions Receivable, Net | 1,445 | 2,490 | 5,397 | 3,279 |
| Due From Primary Government | 507 | 338 | - | 136 |
| Due from Component Units | 75 | 27 | 2,014 | 885 |
| Inventory | - | 575 | 761 | 429 |
| Prepaid Items | 980 | 89 | 4,073 | - |
| Other Assets | 1,319 | 485 | 45 | - |
| Restricted Cash and Cash Equivalents | 29,797 | 10,112 | 71 | 24,318 |
| Restricted Investments | 25,864 | 26,600 | 38,815 | 23,073 |
| Other Restricted Assets | - | 679 | - | 227 |
| Nondepreciable Capital Assets | 41,596 | 36,809 | 35,487 | 43,354 |
| Depreciable Capital Assets, Net | 55,310 | 66,942 | 296,058 | 68,960 |
| Total Assets | 177,080 | 163,091 | 468,565 | 198,431 |
| **Liabilities** | | | | |
| Accounts Payable | 11,045 | 6,788 | 26,429 | 12,239 |
| Amounts Due to Other Governments | - | - | - | - |
| Due to Component Units | - | - | - | - |
| Unearned Revenue | 4,746 | 1,846 | 7,574 | 3,617 |
| Obligations Under Securities Lending Program | 2,021 | 436 | 11,495 | 8,809 |
| Other Liabilities | 3,451 | 3,228 | 5,524 | 3,670 |
| Loans Payable to Primary Government | - | - | - | - |
| Long-term Liabilities: | | | | |
| Due Within One Year | 3,293 | 3,148 | 8,252 | 2,618 |
| Due in More Than One Year | 91,806 | 39,835 | 79,574 | 9,915 |
| Total Liabilities | 116,362 | 55,281 | 138,848 | 40,868 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 56,014 | 64,617 | 259,481 | 110,135 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | 7,282 | 15,634 | 23,730 | 18,594 |
| Other | - | - | - | - |
| Expendable: | | | | |
| Higher Education | 2,278 | 23,183 | 21,515 | 29,163 |
| Virginia Pooled Financing Program | - | - | - | - |
| Capital Projects / Construction / Capital Acquisition | - | - | - | - |
| Debt Service | - | - | - | - |
| Bond Indenture | - | - | - | - |
| Other | - | - | - | - |
| Unrestricted | (4,856) | 4,376 | 24,991 | (329) |
| Total Net Assets | $ 60,718 | $ 107,810 | $ 329,717 | $ 157,563 |

| Old Dominion University | George Mason University | Virginia Community College System | Christopher Newport University | Longwood University | Southwest Virginia Higher Education Center | Roanoke Higher Education Authority |
|---|---|---|---|---|---|---|
| $ 62,695 | $ 102,550 | $ 78,986 | $ 23,795 | $ 21,563 | $ 268 | $ 531 |
| 12,128 | 15,412 | 12,385 | 1,256 | 6,744 | - | - |
| 23,988 | 17,710 | 11,066 | 2,576 | 2,516 | 782 | 13,937 |
| 4,318 | 4,617 | 7,257 | 4,336 | 610 | - | - |
| 2,150 | 1,734 | 1,164 | 916 | 273 | - | - |
| 1,182 | 1,675 | 500 | 596 | 2,495 | - | 55 |
| 461 | 86 | 2,028 | 841 | 529 | - | - |
| 232 | 3,080 | 4,595 | 563 | 39 | - | 7 |
| 278 | 2,378 | 116 | 1,319 | 35 | 97 | - |
| 11,715 | 5,683 | 8,813 | 18,666 | 12,037 | - | 375 |
| 129,453 | 64,311 | 81,834 | 3,530 | 30,935 | - | - |
| - | - | - | 601 | 346 | - | - |
| 54,115 | 78,091 | 74,622 | 162,502 | 25,484 | 48 | - |
| 246,094 | 364,932 | 406,586 | 111,137 | 97,227 | 9,595 | 933 |
| 548,809 | 662,259 | 689,952 | 332,634 | 200,833 | 10,790 | 15,838 |
| | | | | | | |
| 26,351 | 41,523 | 35,276 | 13,175 | 5,432 | 244 | 391 |
| - | - | 4,976 | - | - | - | - |
| - | - | - | - | - | - | - |
| 9,082 | 22,126 | 17,669 | 584 | 1,764 | 290 | - |
| 7,454 | 10,847 | 60 | 3,876 | 4,863 | - | - |
| 3,282 | 11,447 | 3,311 | 15,524 | 2,984 | 366 | - |
| - | 8,500 | 708 | - | 1,029 | - | - |
| | | | | | | |
| 8,621 | 10,578 | 16,323 | 13,686 | 1,938 | 73 | 58 |
| 152,417 | 211,224 | 95,204 | 159,846 | 28,904 | - | 5 |
| 207,207 | 316,245 | 173,527 | 206,691 | 46,914 | 973 | 454 |
| | | | | | | |
| 167,236 | 270,507 | 433,192 | 106,994 | 107,853 | 9,642 | 933 |
| | | | | | | |
| 77,091 | 36,724 | 33,919 | 6,320 | 19,359 | - | - |
| - | - | - | - | - | - | - |
| | | | | | | |
| 75,565 | 35,982 | 43,366 | 5,920 | 7,687 | - | 900 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 21,710 | 2,801 | 5,948 | 6,709 | 19,020 | 175 | 13,551 |
| $ 341,602 | $ 346,014 | $ 516,425 | $ 125,943 | $ 153,919 | $ 9,817 | $ 15,384 |

*Continued on next page*

**Combining Statement of Net Assets – Nonmajor Component Units** *(Continued from previous page)*

June 30, 2005
(Dollars in Thousands)

| | Innovative Technology Authority | Institute for Advanced Learning and Research | Virginia College Building Authority | Total Nonmajor Component Units |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 3,582 | $ 1,532 | $ 75,419 | $ 934,212 |
| Investments | 3,357 | - | 50,254 | 628,131 |
| Receivables, Net | 853 | 151 | 10,696 | 2,021,782 |
| Contributions Receivable, Net | - | - | - | 115,290 |
| Due From Primary Government | - | - | - | 12,682 |
| Due from Component Units | - | - | - | 10,672 |
| Inventory | - | - | - | 19,863 |
| Prepaid Items | 89 | 404 | - | 32,153 |
| Other Assets | 79 | - | 188 | 28,654 |
| Restricted Cash and Cash Equivalents | - | - | 458 | 336,230 |
| Restricted Investments | - | - | - | 1,610,840 |
| Other Restricted Assets | - | - | - | 124,669 |
| Nondepreciable Capital Assets | 7,300 | - | - | 1,128,905 |
| Depreciable Capital Assets, Net | 18,504 | 3,175 | - | 2,735,388 |
| Total Assets | 33,764 | 5,262 | 137,015 | 9,739,471 |
| | | | | |
| **Liabilities** | | | | |
| Accounts Payable | 633 | 850 | 37 | 258,591 |
| Amounts Due to Other Governments | - | - | - | 6,209 |
| Due to Component Units | - | - | 24,651 | 24,651 |
| Unearned Revenue | - | - | - | 107,488 |
| Obligations Under Securities Lending Program | - | - | - | 98,500 |
| Other Liabilities | 1,153 | 14 | 20,291 | 137,602 |
| Loans Payable to Primary Government | - | - | - | 11,006 |
| Long-term Liabilities: | | | | |
| Due Within One Year | 825 | 104 | 55,012 | 231,726 |
| Due in More Than One Year | 7,935 | - | 586,437 | 3,531,189 |
| Total Liabilities | 10,546 | 968 | 686,428 | 4,406,962 |
| | | | | |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 17,169 | 3,175 | - | 2,517,638 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | - | - | - | 631,253 |
| Other | - | - | - | 84,329 |
| Expendable: | | | | |
| Higher Education | - | - | 118,672 | 689,144 |
| Virginia Pooled Financing Program | - | - | - | 5,149 |
| Capital Projects / Construction / Capital Acquisition | - | - | - | 966,330 |
| Debt Service | - | - | - | 98,634 |
| Bond Indenture | - | - | - | - |
| Other | - | - | - | 480,723 |
| Unrestricted | 6,049 | 1,119 | (668,085) | (140,691) |
| Total Net Assets | $ 23,218 | $ 4,294 | $ (549,413) | $ 5,332,509 |

## Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Higher Education** | | | | |
| College of William and Mary | $ 295,016 | $ 123,738 | $ 55,910 | $ 15,797 |
| Virginia Military Institute | 58,840 | 24,055 | 29,678 | 8,165 |
| Virginia State University | 94,082 | 36,601 | 20,687 | 4,505 |
| Norfolk State University | 126,300 | 41,187 | 28,805 | 3,438 |
| University of Mary Washington | 70,681 | 49,435 | 1,820 | 2,658 |
| James Madison University | 263,476 | 171,253 | 19,677 | 11,414 |
| Radford University | 116,879 | 65,007 | 11,478 | 2,253 |
| Old Dominion University | 262,144 | 108,165 | 58,680 | 7,222 |
| George Mason University | 403,051 | 196,131 | 91,825 | 11,356 |
| Virginia Community College System | 670,560 | 182,443 | 132,433 | 14,880 |
| Christopher Newport University | 76,523 | 45,864 | 8,401 | 11,731 |
| Longwood University | 74,442 | 40,769 | 6,845 | 6,808 |
| Southwest Virginia Higher Education Center | 5,630 | 661 | 2,834 | 18 |
| Roanoke Higher Education Authority | 3,239 | 1,044 | 31 | 1,025 |
| Innovative Technology Authority | 14,595 | 1,844 | 4,418 | - |
| Institute for Advanced Learning and Research | 5,271 | 375 | 2,638 | - |
| Virginia College Building Authority | 179,198 | 36,215 | - | - |
| Total Higher Education | 2,719,927 | 1,124,787 | 476,160 | 101,270 |
| | | | | |
| **Other Nonmajor Component Units** | | | | |
| Virginia Economic Development Partnership | 16,873 | 253 | - | - |
| Virginia Outdoors Foundation | 1,578 | 68 | 2,187 | - |
| Virginia Port Authority | 241,981 | 204,913 | 1,323 | - |
| Virginia Resources Authority | 68,788 | 88,745 | 706 | 33,532 |
| Virginia Tourism Authority | 13,453 | 552 | 2,092 | - |
| Virginia Tobacco Settlement Foundation | 13,169 | - | - | - |
| Tobacco Idemnification and Community Revitalization Commission | 67,578 | - | - | - |
| Hampton Roads Sanitation District Commission | 109,144 | 112,241 | - | - |
| Virginia Biotechnology Research Park Authority | 8,062 | 7,353 | 22 | - |
| Virginia Small Business Financing Authority | 1,033 | 879 | - | - |
| Virginia School for the Deaf and Blind Foundation | 58 | - | - | - |
| Science Museum of Virginia Foundation | 3,609 | - | 257 | - |
| Virginia Museum of Fine Arts Foundation | 9,939 | - | 1,134 | - |
| A. L. Philpott Manufacturing Extension Partnership | 4,762 | 3,040 | 1,532 | - |
| Virginia Equine Center Foundation | 5,655 | 3,396 | 99 | 890 |
| Certified Nursing Facility Education Initiative | 134 | 23 | - | - |
| Virginia Land Conversation Foundation | 1,165 | 27 | 475 | - |
| Virginia Arts Foundation | 2 | 2 | - | - |
| Library of Virginia Foundation | 663 | - | 20 | - |
| Total Other Nonmajor | 567,646 | 421,492 | 9,847 | 34,422 |
| Total Nonmajor Component Units | $ 3,287,573 | $ 1,546,279 | $ 486,007 | $ 135,692 |

| | General Revenues | | | | | |
|---|---|---|---|---|---|---|
| Net (Expenses) Revenue | Operating Appropriations from Primary Government | Unrestricted Grants and Contributions | Investment Earnings | Miscellaneous | Contributions to Permanent / Term Endowments | VCBA Payments to Schools |
| $ (99,571) | $ 65,334 | $ 15,067 | $ 36,295 | $ 4,430 | $ 18,609 | $ 6,069 |
| 3,058 | 12,317 | 23 | 25,926 | 776 | - | 2,599 |
| (32,289) | 34,051 | 54 | 826 | 79 | 659 | 4,206 |
| (52,870) | 45,927 | 1,584 | 1,004 | 409 | 421 | 9,350 |
| (16,768) | 16,556 | 1,108 | 3,824 | 51 | 4,011 | 1,297 |
| (61,132) | 67,682 | 622 | 4,276 | 941 | 4,396 | 10,599 |
| (38,141) | 41,284 | 68 | 2,884 | 935 | 3,174 | 1,045 |
| (88,077) | 88,260 | 359 | 11,803 | 467 | 2,595 | 11,140 |
| (103,739) | 110,865 | 119 | 4,649 | 6,123 | 2,701 | 7,447 |
| (340,804) | 308,536 | 7,051 | 4,706 | 7,010 | 5,264 | 18,890 |
| (10,527) | 25,008 | 331 | 682 | 713 | 154 | 3,315 |
| (20,020) | 21,480 | 558 | 3,207 | 2,429 | 1,422 | 14,902 |
| (2,117) | 1,570 | - | - | - | - | - |
| (1,139) | 1,001 | - | 873 | - | - | 55 |
| (8,333) | 9,141 | - | 567 | - | - | - |
| (2,258) | 2,272 | 994 | - | - | - | 1,000 |
| (142,983) | 88,284 | - | 3,216 | - | - | - |
| (1,017,710) | 939,568 | 27,938 | 104,738 | 24,363 | 43,406 | 91,914 |
| | | | | | | |
| | | | | | | |
| (16,620) | 16,334 | - | - | 368 | - | - |
| 677 | 1,300 | 92 | 53 | 3 | - | - |
| (35,745) | 34,238 | - | 3,286 | - | - | - |
| 54,195 | - | - | 260 | 53 | - | - |
| (10,809) | 11,566 | - | 69 | - | - | - |
| (13,169) | - | - | 102 | - | - | - |
| | | | | | | |
| (67,578) | - | - | 2,785 | 10 | - | - |
| 3,097 | - | - | 2,692 | - | - | - |
| (687) | - | - | - | - | - | - |
| (154) | 327 | - | 397 | - | - | - |
| (58) | - | - | 252 | - | - | - |
| (3,352) | - | 1,003 | 255 | - | 3,836 | - |
| (8,805) | - | 4,269 | 12,257 | 19 | 17,770 | - |
| (190) | 508 | - | - | - | - | - |
| (1,270) | - | - | 108 | 302 | - | - |
| (111) | - | - | 1 | - | - | - |
| (663) | 12,500 | - | - | - | - | - |
| - | - | - | - | 81 | - | - |
| (643) | - | 171 | 189 | 60 | 110 | - |
| (101,885) | 76,773 | 5,535 | 22,706 | 896 | 21,716 | - |
| $ (1,119,595) | $ 1,016,341 | $ 33,473 | $ 127,444 | $ 25,259 | $ 65,122 | $ 91,914 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | General Revenues (continued) Tobacco Master Settlement and Securitization Proceeds | Changes in Net Assets | Net Assets (Deficit) July 1 as restated | Net Assets (Deficit) June 30 |
|---|---|---|---|---|
| **Higher Education** | | | | |
| College of William and Mary | $ - | $ 46,233 | $ 717,602 | $ 763,835 |
| Virginia Military Institute | - | 44,699 | 344,518 | 389,217 |
| Virginia State University | - | 7,586 | 86,920 | 94,506 |
| Norfolk State University | - | 5,825 | 54,893 | 60,718 |
| University of Mary Washington | - | 10,079 | 97,731 | 107,810 |
| James Madison University | - | 27,384 | 302,333 | 329,717 |
| Radford University | - | 11,249 | 146,314 | 157,563 |
| Old Dominion University | - | 26,547 | 315,055 | 341,602 |
| George Mason University | - | 28,165 | 317,849 | 346,014 |
| Virginia Community College System | - | 10,653 | 505,772 | 516,425 |
| Christopher Newport University | - | 19,676 | 106,267 | 125,943 |
| Longwood University | - | 23,978 | 129,941 | 153,919 |
| Southwest Virginia Higher Education Center | - | (547) | 10,364 | 9,817 |
| Roanoke Higher Education Authority | - | 790 | 14,594 | 15,384 |
| Innovative Technology Authority | - | 1,375 | 21,843 | 23,218 |
| Institute for Advanced Learning and Research | - | 2,008 | 2,286 | 4,294 |
| Virginia College Building Authority | - | (51,483) | (497,930) | (549,413) |
| Total Higher Education | - | 214,217 | 2,676,352 | 2,890,569 |
| | | | | |
| **Other Nonmajor Component Units** | | | | |
| Virginia Economic Development Partnership | - | 82 | 189 | 271 |
| Virginia Outdoors Foundation | - | 2,125 | 7,892 | 10,017 |
| Virginia Port Authority | - | 1,779 | 342,596 | 344,375 |
| Virginia Resources Authority | - | 54,508 | 920,440 | 974,948 |
| Virginia Tourism Authority | - | 826 | 1,253 | 2,079 |
| Virginia Tobacco Settlement Foundation | 13,032 | (35) | 7,006 | 6,971 |
| Tobacco Idemnification and Community Revitalization Commission | 454,934 | 390,151 | 83,645 | 473,796 |
| Hampton Roads Sanitation District Commission | - | 5,789 | 353,144 | 358,933 |
| Virginia Biotechnology Research Park Authority | - | (687) | 12,083 | 11,396 |
| Virginia Small Business Financing Authority | - | 570 | 30,114 | 30,684 |
| Virginia School for the Deaf and Blind Foundation | - | 194 | 2,539 | 2,733 |
| Science Museum of Virginia Foundation | - | 1,742 | 11,329 | 13,071 |
| Virginia Museum of Fine Arts Foundation | - | 25,510 | 165,082 | 190,592 |
| A. L. Philpott Manufacturing Extension Partnership | - | 318 | 853 | 1,171 |
| Virginia Equine Center Foundation | - | (860) | 2,917 | 2,057 |
| Certified Nursing Facility Education Initiative | - | (110) | 170 | 60 |
| Virginia Land Conversation Foundation | - | 11,837 | 2,168 | 14,005 |
| Virginia Arts Foundation | - | 81 | 298 | 379 |
| Library of Virginia Foundation | - | (113) | 4,515 | 4,402 |
| Total Other Nonmajor | 467,966 | 493,707 | 1,948,233 | 2,441,940 |
| Total Nonmajor Component Units | $ 467,966 | $ 707,924 | $ 4,624,585 | $ 5,332,509 |

# Debt Schedules

## Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth

Last Five Fiscal Years
(Dollars in Thousands)

| | For the Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Tax-Supported Debt:** | | | | | |
| **Primary Government:** | | | | | |
| General Obligation Bonds (1): | | | | | |
| Section 9(b) Bonds (2) (3) | $ 555,447 | $ 428,891 | $ 471,118 | $ 451,700 | $ 486,310 |
| Section 9(c) Bonds (2) (3) | 101,585 | 107,495 | 118,500 | 127,597 | 136,644 |
| Subtotal - General Obligation Bonds | 657,032 | 536,386 | 589,618 | 579,297 | 622,954 |
| Non-General Obligation Debt: | | | | | |
| Section 9(d) Bonds (2) (3) | 2,183,467 | 1,962,418 | 2,055,463 | 2,002,041 | 1,911,636 |
| Other Long-term Debt and Obligations (4) (8) | 1,185,757 | 1,278,534 | 1,148,633 | 965,426 | 879,065 |
| Total Primary Government | 4,026,256 | 3,777,338 | 3,793,714 | 3,546,764 | 3,413,655 |
| **Component Units:** | | | | | |
| General Obligation Bonds (1): | | | | | |
| Section 9(c) Bonds (2) | 296,963 | 316,923 | 349,185 | 376,462 | 345,154 |
| Subtotal - General Obligation Bonds | 296,963 | 316,923 | 349,185 | 376,462 | 345,154 |
| Non-General Obligation Bonds: | | | | | |
| Section 9(d) Bonds (2) | 970,208 | 706,232 | 765,046 | 555,950 | 423,245 |
| Other Long-term Debt (4) | 557,838 | 471,946 | 447,417 | 388,468 | 329,441 |
| Total Component Units | 1,825,009 | 1,495,101 | 1,561,648 | 1,320,880 | 1,097,840 |
| **Total Tax-Supported Debt** | 5,851,265 | 5,272,439 | 5,355,362 | 4,867,644 | 4,511,495 |
| **Debt Not Supported by Taxes:** | | | | | |
| **Primary Government:** | | | | | |
| Total Primary Government (2) (3) | 3,046,216 | 2,870,199 | 2,985,325 | 2,057,817 | 1,796,161 |
| **Component Units:** | | | | | |
| Section 9(d) Moral Obligation Bonds | 1,318,889 | 1,709,233 | 1,966,018 | 2,245,191 | 2,260,226 |
| Section 9(d) Other Debt | 546,062 | 563,986 | 538,207 | 421,125 | 360,535 |
| Other Long-term Debt (5) (6) | 8,861,783 | 7,510,899 | 7,039,945 | 7,765,548 | 6,832,780 |
| Foundations (7) | 644,529 | 484,147 | - | - | - |
| Total Component Units | 11,371,263 | 10,268,265 | 9,544,170 | 10,431,864 | 9,453,541 |
| **Total Debt Not Supported by Taxes** | 14,417,479 | 13,138,464 | 12,529,495 | 12,489,681 | 11,249,702 |
| **Total Debt of the Commonwealth** | $ 20,268,744 | $ 18,410,903 | $ 17,884,857 | $ 17,357,325 | $ 15,761,197 |

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| Section 9(b) Debt: | | | | | |
| Transportation Facilities Bonds | $ 34,792 | $ 39,672 | $ 48,719 | $ 52,695 | $ 56,585 |
| Public Facilities Bonds | 520,655 | 389,219 | 422,399 | 399,005 | 429,725 |
| Subtotal 9(b) Debt | 555,447 | 428,891 | 471,118 | 451,700 | 486,310 |
| Section 9(c) Debt: | | | | | |
| Higher Educational Institution Bonds | 296,963 | 316,923 | 349,185 | 376,462 | 345,154 |
| Transportation Facilities Bonds | 90,545 | 101,128 | 111,301 | 117,992 | 126,319 |
| Parking Facilities Bonds | 11,040 | 6,367 | 7,199 | 9,605 | 10,325 |
| Subtotal 9(c) Debt | 398,548 | 424,418 | 467,685 | 504,059 | 481,798 |
| Total General Obligation Debt (1) | $ 953,995 | $ 853,309 | $ 938,803 | $ 955,759 | $ 968,108 |

(1) Total General Obligation Debt for the fiscal year ended.
(2) Net of unamortized discounts, premiums, deferrals on debt defeasance, and/or issuance expenses.
(3) Adjustment to some prior year balances were made in fiscal year 2005 to reflect unamortized premiums not recorded.
(4) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.
(5) Includes bonds payable, notes payable, and other debt not supported by taxes.
(6) Fiscal year 2004 balance was adjusted to reflect the reclassification of UVA's commercial paper and VCBA's unamortized premium.
(7) Beginning in fiscal year 2004, Foundations represent FASB reporting entities defined in Note 1.B.
(8) Adjustment to prior year balance was made in fiscal year 2005 to reflect restatement of capital lease obligations.

## Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years
(Dollars in Thousands)

| | For the Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Primary Government:** | | | | | |
| **General Obligation Debt (1) (4):** | | | | | |
| Section 9(b) Debt | | | | | |
| Transportation Facilities (2) (6) | $ 34,792 | $ 39,672 | $ 48,719 | $ 52,695 | $ 56,585 |
| Public Facilities (2) (6) | 520,655 | 389,219 | 422,399 | 399,005 | 429,725 |
| Subtotal Section 9(b) Debt | 555,447 | 428,891 | 471,118 | 451,700 | 486,310 |
| Section 9(c) Debt | | | | | |
| Parking Facilities (2) (6) | 11,040 | 6,367 | 7,199 | 9,605 | 10,325 |
| Transportation Facilities (2) (6) | 90,545 | 101,128 | 111,301 | 117,992 | 126,319 |
| Subtotal Section 9(c) Debt | 101,585 | 107,495 | 118,500 | 127,597 | 136,644 |
| Subtotal General Obligation Debt | 657,032 | 536,386 | 589,618 | 579,297 | 622,954 |
| **Non-General Obligation Debt:** | | | | | |
| Section 9(d) Debt: | | | | | |
| Transportation Debt (2) (6) | 1,041,397 | 1,074,589 | 1,098,968 | 1,043,900 | 916,835 |
| Virginia Public Building Authority (2) (6) | 1,142,070 | 887,829 | 956,495 | 958,141 | 994,801 |
| Subtotal Section 9(d) Debt | 2,183,467 | 1,962,418 | 2,055,463 | 2,002,041 | 1,911,636 |
| **Other Long-term Debt:** | | | | | |
| Transportation Notes Payable | 12,325 | 12,325 | 12,325 | 12,325 | 12,325 |
| Regional Jail Construction | 15,030 | 16,654 | 18,252 | 28,974 | 31,017 |
| Capital Lease Obligations (7) | 133,799 | 299,953 | 249,123 | 202,265 | 211,192 |
| Installment Purchase Obligations (3) | 24,047 | 29,228 | 34,780 | 32,182 | 41,796 |
| Virginia Public Broadcasting Board Notes Payable | 15,775 | 17,950 | 20,005 | 21,960 | 23,840 |
| Industrial Development Authority Obligations | 27,100 | 30,845 | 34,410 | 37,800 | 42,490 |
| Aviation Notes Payable | 3,055 | 3,341 | 3,627 | - | - |
| Subtotal Other Long-term Debt | 231,131 | 410,296 | 372,522 | 335,506 | 362,660 |
| **Other Long-term Obligations:** | | | | | |
| Compensated Absences | 313,896 | 304,839 | 303,479 | 306,972 | 309,699 |
| Pension Liability | 621,969 | 542,471 | 452,550 | 302,664 | 186,602 |
| Other Liabilities | 18,761 | 20,928 | 20,082 | 20,284 | 20,104 |
| Subtotal Other Long-term Obligations | 954,626 | 868,238 | 776,111 | 629,920 | 516,405 |
| **Total Primary Government** | 4,026,256 | 3,777,338 | 3,793,714 | 3,546,764 | 3,413,655 |
| | | | | | |
| **Component Units:** | | | | | |
| **General Obligation Bonds (1) (4):** | | | | | |
| Section 9(c) Debt | | | | | |
| Higher Educational Institutions (2) | 296,963 | 316,923 | 349,185 | 376,462 | 345,154 |
| Subtotal General Obligation Debt | 296,963 | 316,923 | 349,185 | 376,462 | 345,154 |
| **Non-General Obligation Debt:** | | | | | |
| Section 9(d) Debt: | | | | | |
| Higher Educational Institutions (5) | - | - | - | 9,165 | - |
| Virginia Port Authority (2) | 265,518 | 212,798 | 222,221 | 94,060 | 94,060 |
| Innovative Technology Authority | 8,635 | 9,345 | 9,965 | 10,590 | 11,120 |
| Virginia College Building Authority (6) | 641,450 | 402,794 | 448,525 | 354,890 | 289,830 |
| Virginia Biotechnology Research Park Authority | 54,605 | 81,295 | 84,335 | 87,245 | 28,235 |
| Subtotal Section 9(d) Debt | 970,208 | 706,232 | 765,046 | 555,950 | 423,245 |
| **Other Long-term Debt:** | | | | | |
| Long-term Capital Lease Obligations | 46,272 | 44,123 | 52,364 | 45,810 | 31,628 |
| Installment Purchase Obligations (3) | 85,614 | 25,227 | 17,844 | 23,347 | 25,703 |
| Subtotal Other Long-term Debt | 131,886 | 69,350 | 70,208 | 69,157 | 57,331 |
| **Other Long-term Obligations:** | | | | | |
| Compensated Absences | 187,489 | 182,306 | 174,296 | 182,603 | 174,631 |
| Pension Liability | 238,463 | 220,290 | 202,913 | 136,708 | 97,479 |
| Subtotal Other Long-term Obligations | 425,952 | 402,596 | 377,209 | 319,311 | 272,110 |
| **Total Component Units** | 1,825,009 | 1,495,101 | 1,561,648 | 1,320,880 | 1,097,840 |
| **Total Tax-Supported Debt** | $ 5,851,265 | $ 5,272,439 | $ 5,355,362 | $ 4,867,644 | $ 4,511,495 |

(1) The General Obligation Debt is the only debt or long-term obligation that is backed by the full faith, credit, and taxing power of the Commonwealth.

(2) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.

(3) Reflected as Notes Payable in Note 20, Long-term Liabilities.

(4) See Note 1 on previous page.

(5) Related to Virginia College Building Authority's Equipment Leasing Program.

(6) Adjustment to some prior year balances were made in fiscal year 2005 to reflect unamortized premiums not recorded.

(7) Adjustment to prior year balance was made in fiscal year 2005 to reflect restatement of capital lease obligations.

## Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years
(Dollars in Thousands)

| | For the Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Primary Government:** | | | | | |
| Other Long-term Debt & Obligations: | | | | | |
| Federal Reimbursement Anticipation Notes Payable (1) (6) | $ 746,877 | $ 834,992 | $ 919,243 | $ 375,000 | $ 375,000 |
| Pocahontas Parkway Association Bonds | 463,357 | 447,372 | 432,563 | 418,850 | 405,460 |
| Pension Liability | 12,990 | 11,601 | 9,909 | 6,389 | 3,926 |
| Compensated Absences | 7,859 | 7,852 | 8,192 | 8,084 | 7,764 |
| Installment Purchase Obligations | 9,709 | 12,475 | 15,917 | 17,861 | 11,398 |
| Tuition Benefits Payable | 1,430,383 | 1,157,712 | 1,177,780 | 781,827 | 530,970 |
| Lottery Prizes Payable | 375,041 | 398,195 | 421,721 | 449,694 | 461,643 |
| Other | - | - | - | 112 | - |
| **Total Primary Government** | 3,046,216 | 2,870,199 | 2,985,325 | 2,057,817 | 1,796,161 |
| | | | | | |
| **Component Units:** | | | | | |
| **Section 9(d) Moral Obligation Debt: (1)** | | | | | |
| Virginia Housing Development Authority | 623,790 | 735,600 | 915,890 | 1,278,338 | 1,357,976 |
| Virginia Public School Authority | | | | | |
| (1991 Resolution) | - | 248,837 | 345,435 | 432,117 | 459,772 |
| Virginia Resources Authority | 695,099 | 724,796 | 704,693 | 534,736 | 442,478 |
| Subtotal Section 9(d) Moral Obligation Debt | 1,318,889 | 1,709,233 | 1,966,018 | 2,245,191 | 2,260,226 |
| | | | | | |
| **Section 9(d) Other Debt:** | | | | | |
| Higher Educational Institutions (1): | | | | | |
| Auxiliary Enterprise Revenue Bonds | 445,392 | 456,816 | 420,712 | 261,135 | 273,090 |
| Teaching Hospitals Revenue Bonds (4) | 100,670 | 107,170 | 117,495 | 159,990 | 87,445 |
| Subtotal Section 9(d) Other Debt | 546,062 | 563,986 | 538,207 | 421,125 | 360,535 |
| | | | | | |
| **Other Long-term Debt:** | | | | | |
| Virginia Housing Development Authority (1) (2) | 4,003,396 | 3,476,198 | 3,834,763 | 4,778,204 | 4,352,311 |
| Hampton Roads Sanitation District | 138,509 | 133,567 | 142,046 | 152,978 | 161,800 |
| Virginia Equine Center | 15,540 | 15,745 | 15,970 | 16,145 | 5,645 |
| Virginia Biotechnology Research Park Authority | 12,730 | 13,525 | 14,265 | 14,965 | 15,745 |
| Virginia Public School Authority (1) (2) | 2,449,447 | 2,059,419 | 1,767,624 | 1,658,368 | 1,614,518 |
| Virginia Port Authority | 142,650 | 146,427 | 148,255 | 93,325 | 93,325 |
| Virginia Commonwealth University Health | | | | | |
| System Authority | - | - | - | - | 82,260 |
| Virginia Resources Authority | 591,196 | 516,423 | 215,431 | 223,837 | 219,865 |
| Notes Payable (8) | 1,139,395 | 858,031 | 606,984 | 494,689 | 260,221 |
| Bond Anticipation Notes | - | - | 1,303 | 895 | - |
| Other Long-term Debt (7) | 368,920 | 291,564 | 293,304 | 332,142 | 27,090 |
| Foundations (5) | 644,529 | 484,147 | - | - | - |
| Subtotal Other Long-term Debt | 9,506,312 | 7,995,046 | 7,039,945 | 7,765,548 | 6,832,780 |
| | | | | | |
| Subtotal Section 9(d) and Other Debt | 10,052,374 | 8,559,032 | 7,578,152 | 8,186,673 | 7,193,315 |
| **Total Component Units** | 11,371,263 | 10,268,265 | 9,544,170 | 10,431,864 | 9,453,541 |
| **Total Debt Not Supported by Taxes (3)** | $ 14,417,479 | $ 13,138,464 | $ 12,529,495 | $ 12,489,681 | $ 11,249,702 |

(1) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
(2) Includes notes payable and/or installment purchase obligations.
(3) These amounts are not backed by the full faith, credit, and taxing power of the Commonwealth.
(4) Beginning in fiscal year 2002, this includes the Virginia Commonwealth University Health System Authority.
(5) Beginning in fiscal year 2004, Foundations represent FASB reporting entities defined in Note 1.B.
(6) Adjustment to some prior year balances were made in fiscal year 2005 to reflect unamortized premiums not recorded.
(7) Fiscal year 2004 balance adjustment due to reclassification of UVA's commercial paper VCBA's unamortized premium
(8) Fiscal year 2004 balance adjustment due to reclassification of VHDA's notes payable

## Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| | As of June 30, 2004 | New Debt Authorized | Debt Issued | Other Adjust-ments | As of June 30, 2005 |
|---|---|---|---|---|---|
| **Section 9(b) Debt (Primary Government):** | | | | | |
| Higher Educational Institution Bonds | $ 859,063 | $ - | $ 140,000 | $ (8,823) | $ 710,240 |
| Park and Recreational Facilities | 110,235 | - | 22,555 | (1,420) | 86,260 |
| Subtotal Section 9(b) Debt | 969,298 | - | 162,555 | (10,243) | 796,500 |
| **Section 9(c) Debt (Primary Government):** | | | | | |
| Higher Educational Institution Bonds | 255,315 | 10,563 | 18,380 | (6,899) | 240,599 |
| Parking Facilities Bonds | 5,700 | - | 5,390 | (310) | - |
| Transportation Facilities Bonds | - | - | - | - | - |
| Subtotal Section 9(c) Debt | 261,015 | 10,563 | 23,770 | (7,209) | 240,599 |
| **Section 9(d) Debt:** | | | | | |
| **Primary Government:** | | | | | |
| Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program) | 97,100 | - | - | - | 97,100 |
| **Component Units:** | | | | | |
| Virginia Port Authority | 60,000 | - | 60,000 | - | - |
| Virginia Public Building Authority (Projects) | 830,898 | - | 177,090 | (2,496) | 651,312 |
| Virginia Public Building Authority (Juvenile Detention Facilities) | 23,199 | - | 10,608 | - | 12,591 |
| Virginia Public Building Authority (Jails) | 62,913 | 20,145 | 19,368 | - | 63,690 |
| Virginia College Building Authority (21st Century) | 453,517 | - | 200,625 | (11,375) | 241,517 |
| Virginia College Building Authority (Equipment Program) | 151,616 | - | 87,905 | (7,541) | 56,170 |
| Capital Lease Financings | 39,670 | 156,000 | 970 | (4,462) | 190,238 |
| Subtotal Section 9(d) Debt | 1,718,913 | 176,145 | 556,566 | (25,874) | 1,312,618 |
| **Total Authorized and Unissued Tax-Supported Debt** | $ 2,949,226 | $ 186,708 | $ 742,891 | $ (43,326) | $ 2,349,717 |

## Tax-Supported Debt – Annual Debt Service Requirements (1)

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| Fiscal Year Ending June 30 | General Obligation Debt Sections 9(a), 9(b) and 9(c) | | | Other Tax-Supported Debt Section 9(d) [1] [2] | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2006 | $ 87,540 | $ 44,596 | $ 132,136 | $ 194,941 | $ 134,946 | $ 329,887 |
| 2007 | 87,285 | 40,740 | 128,025 | 199,756 | 137,250 | 337,006 |
| 2008 | 86,380 | 36,751 | 123,131 | 204,192 | 128,505 | 332,697 |
| 2009 | 84,564 | 32,826 | 117,390 | 209,027 | 119,486 | 328,513 |
| 2010 | 80,580 | 29,125 | 109,705 | 198,317 | 110,122 | 308,439 |
| 2011 | 77,867 | 25,167 | 103,034 | 188,032 | 101,214 | 289,246 |
| 2012 | 67,120 | 21,479 | 88,599 | 189,142 | 92,336 | 281,478 |
| 2013 | 67,185 | 18,163 | 85,348 | 184,422 | 83,339 | 267,761 |
| 2014 | 56,930 | 14,832 | 71,762 | 176,289 | 74,418 | 250,707 |
| 2015 | 52,695 | 12,020 | 64,715 | 179,312 | 65,548 | 244,860 |
| 2016 | 43,360 | 9,416 | 52,776 | 176,797 | 56,906 | 233,703 |
| 2017 | 30,490 | 7,380 | 37,870 | 174,294 | 48,386 | 222,680 |
| 2018 | 23,550 | 5,902 | 29,452 | 162,260 | 40,013 | 202,273 |
| 2019 | 22,090 | 4,847 | 26,937 | 139,375 | 32,463 | 171,838 |
| 2020 | 20,485 | 3,840 | 24,325 | 114,398 | 25,916 | 140,314 |
| 2021 | 21,290 | 2,887 | 24,177 | 108,286 | 20,674 | 128,960 |
| 2022 | 14,925 | 1,859 | 16,784 | 89,690 | 15,793 | 105,483 |
| 2023 | 13,600 | 1,151 | 14,751 | 77,065 | 11,810 | 88,875 |
| 2024 | 11,215 | 548 | 11,763 | 67,961 | 8,232 | 76,193 |
| 2025 | 845 | 39 | 884 | 43,379 | 4,861 | 48,240 |
| 2026 | - | - | - | 28,349 | 3,083 | 31,432 |
| 2027 | - | - | - | 18,136 | 1,784 | 19,920 |
| 2028 | - | - | - | 15,388 | 990 | 16,378 |
| 2029 | - | - | - | 5,724 | 575 | 6,299 |
| 2030 | - | - | - | 5,800 | 394 | 6,194 |
| 2031 | - | - | - | 5,897 | 204 | 6,101 |
| 2032 | - | - | - | 1,724 | - | 1,724 |
| Subtotal | 949,996 | 313,568 | 1,263,564 | 3,157,953 | 1,319,248 | 4,477,201 |
| Add Accretion on Capital Appreciation Bonds | - | - | - | 5,312 | - | 5,312 |
| Add Unamortized Premium | 34,447 | - | 34,447 | 142,458 | - | 142,458 |
| Less Unamortized Discount | (2,954) | - | (2,954) | (11,372) | - | (11,372) |
| Less Deferral on Debt Defeasance | (27,494) | - | (27,494) | (82,422) | - | (82,422) |
| TOTAL | $ 953,995 | $ 313,568 | $ 1,267,563 | $ 3,211,929 | $ 1,319,248 | $ 4,531,177 |

(1) Includes Virginia Biotechnology Research Park Authority, Innovative Technology Authority, Newport News Industrial Development Authority, Virginia Public Broadcasting Board, Virginia Aviation Board and Transportation Notes Payable. Does not include other capital leases, installment purchase obligations, regional jails, compensated absences, pension liability, and uninsured employers fund.

(2) Includes principal amount of $2,195,792 which includes Transportation Notes Payable of $12,325 for the primary government.

| Total | | |
|---|---|---|
| Principal | Interest | Total |
| $ 282,481 | $ 179,542 | $ 462,023 |
| 287,041 | 177,990 | 465,031 |
| 290,572 | 165,256 | 455,828 |
| 293,591 | 152,312 | 445,903 |
| 278,897 | 139,247 | 418,144 |
| 265,899 | 126,381 | 392,280 |
| 256,262 | 113,815 | 370,077 |
| 251,607 | 101,502 | 353,109 |
| 233,219 | 89,250 | 322,469 |
| 232,007 | 77,568 | 309,575 |
| 220,157 | 66,322 | 286,479 |
| 204,784 | 55,766 | 260,550 |
| 185,810 | 45,915 | 231,725 |
| 161,465 | 37,310 | 198,775 |
| 134,883 | 29,756 | 164,639 |
| 129,576 | 23,561 | 153,137 |
| 104,615 | 17,652 | 122,267 |
| 90,665 | 12,961 | 103,626 |
| 79,176 | 8,780 | 87,956 |
| 44,224 | 4,900 | 49,124 |
| 28,349 | 3,083 | 31,432 |
| 18,136 | 1,784 | 19,920 |
| 15,388 | 990 | 16,378 |
| 5,724 | 575 | 6,299 |
| 5,800 | 394 | 6,194 |
| 5,897 | 204 | 6,101 |
| 1,724 | - | 1,724 |
| 4,107,949 | 1,632,816 | 5,740,765 |
| | | |
| | | |
| | | |
| | | |
| 5,312 | - | 5,312 |
| | | |
| | | |
| | | |
| 176,905 | - | 176,905 |
| | | |
| | | |
| | | |
| (14,326) | - | (14,326) |
| | | |
| | | |
| | | |
| (109,916) | - | (109,916) |
| | | |
| $ 4,165,924 | $ 1,632,816 | $ 5,798,740 |

## Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** | | | | | |
| **Section 9(b) Debt (Primary Government):** | | | | | |
| **Transportation Facilities Bonds** | | | | | |
| Series 2003 Refunding | $ 40,370 | $ 36,145 | $ (4,370) | $ 31,775 | 06/01/06-11 |
| Deferral on Debt Defeasance | - | (829) | 119 | (710) | |
| Unamortized Premium (3) | - | 4,356 | (629) | 3,727 | |
| **Total Transportation Facilities Bonds** | 40,370 | 39,672 | (4,880) | 34,792 | |
| | | | | | |
| **Public Facilities Bonds** | | | | | |
| Series 1996 Refunding | 64,390 | 61,050 | (465) | 60,585 | 06/01/06-15 |
| Series 1996 | 49,775 | 9,960 | (2,490) | 7,470 | 06/01/06-08 |
| Series 1997 | 97,045 | 61,310 | (51,095) | 10,215 | 06/01/06-16 |
| Series 1998 Refunding | 50,990 | 48,460 | (395) | 48,065 | 06/01/06-13 |
| Series 1998 | 59,235 | 40,540 | (31,195) | 9,345 | 06/01/06-17 |
| Series 1999 | 20,125 | 14,840 | (10,600) | 4,240 | 06/01/06-18 |
| Series 2002 Refunding | 114,865 | 101,910 | (18,040) | 83,870 | 06/01/06-16 |
| Series 2003 | 50,400 | 47,885 | (2,515) | 45,370 | 06/01/06-23 |
| Series 2004 | 243,680 | - | 235,460 | 235,460 | 06/01/06-24 |
| Deferral on Debt Defeasance | - | (7,108) | (4,704) | (11,812) | |
| Unamortized Premium (3) | - | 10,372 | 17,475 | 27,847 | |
| **Total Public Facilities Bonds** | 750,505 | 389,219 | 131,436 | 520,655 | |
| | | | | | |
| **Total Section 9(b) Debt** | 790,875 | 428,891 | 126,556 | 555,447 | |
| | | | | | |
| **Section 9(c) Debt** | | | | | |
| **Higher Educational Institution Bonds (Component Units)** | | | | | |
| **Series 1979 Bonds** | | | | | |
| James Madison University | | | | | |
| Dormitory Complex | 3,695 | 880 | (165) | 715 | 06/01/06-09 |
| **Subtotal Series 1979 Bonds** | 3,695 | 880 | (165) | 715 | |
| | | | | | |
| **Series 1981 Bonds** | | | | | |
| Virginia Commonwealth University | | | | | |
| Low-Rise Dormitory | 4,932 | 1,572 | (205) | 1,367 | 06/01/06-11 |
| **Subtotal Series 1981 Bonds** | 4,932 | 1,572 | (205) | 1,367 | |
| | | | | | |
| **Series 1983 Bonds** | | | | | |
| Old Dominion University | | | | | |
| Mid-Rise Dormitory | 3,500 | 1,390 | (135) | 1,255 | 06/01/06-13 |
| Powhatan Field Apartments, Phase II | 3,636 | 1,455 | (140) | 1,315 | 06/01/06-13 |
| Virginia Commonwealth University | | | | | |
| Low-Rise Dormitory | 4,050 | 1,610 | (155) | 1,455 | 06/01/06-13 |
| **Subtotal Series 1983 Bonds** | 11,186 | 4,455 | (430) | 4,025 | |
| | | | | | |
| **Series 1989 Bonds** | | | | | |
| George Mason University | | | | | |
| Humanities III | 9,400 | 3,599 | (629) | 2,970 | 06/01/06-09 |
| Residence Hall III | 10,697 | 4,096 | (716) | 3,380 | 06/01/06-09 |
| University of Virginia | | | | | |
| Student Health Center | 1,300 | 497 | (86) | 411 | 06/01/06-09 |
| **Subtotal Series 1989 Bonds** | 21,397 | 8,192 | (1,431) | 6,761 | |
| | | | | | |
| **Series 1990 Bonds** | | | | | |
| University of Virginia | | | | | |
| Judge Advocate General School | 6,265 | 3,080 | (405) | 2,675 | 06/01/06-10 |
| **Subtotal Series 1990 Bonds** | 6,265 | 3,080 | (405) | 2,675 | |

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution Bonds (Component Units)** *(continued)* | | | | | |
| **Series 1995 Bonds** | | | | | |
| College of William and Mary | | | | | |
| Underground Utility | 1,535 | 215 | (70) | 145 | 06/01/06-07 |
| George Mason University | | | | | |
| Prince William Site and Parking | 2,115 | 500 | (245) | 255 | 06/01/06 |
| University of Virginia | | | | | |
| Newcomb Hall Expansion | 10,855 | 1,520 | (485) | 1,035 | 06/01/06-07 |
| Student Residence Facility | 4,890 | 690 | (220) | 470 | 06/01/06-07 |
| Virginia State University | | | | | |
| Dorm Renovation | 2,685 | 615 | (195) | 420 | 06/01/06-07 |
| Foster Hall | 2,305 | 530 | (170) | 360 | 06/01/06-07 |
| Langston Hall | 2,575 | 590 | (190) | 400 | 06/01/06-07 |
| **Subtotal Series 1995 Bonds** | 26,960 | 4,660 | (1,575) | 3,085 | |
| **Series 1996 Bonds** | | | | | |
| College of William and Mary | | | | | |
| Dormitory Repairs | 1,650 | 315 | (75) | 240 | 06/01/06-08 |
| Longwood University | | | | | |
| Dining Hall | 5,485 | 1,080 | (250) | 830 | 06/01/06-08 |
| Virginia Commonwealth University | | | | | |
| Visitors Deck | 3,350 | 645 | (150) | 495 | 06/01/06-08 |
| Virginia State University | | | | | |
| Jones Dining Hall | 2,525 | 480 | (110) | 370 | 06/01/06-08 |
| **Subtotal Series 1996 Bonds** | 13,010 | 2,520 | (585) | 1,935 | |
| **Series 1996 Refunding Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Dormitory and Dining 1994 | 1,892 | 1,802 | (12) | 1,790 | 06/01/06-21 |
| College of William and Mary | | | | | |
| Dormitory 1994 | 118 | 111 | (1) | 110 | 06/01/06-14 |
| Dormitory Phase II 1994 | 1,751 | 1,657 | (12) | 1,645 | 06/01/06-15 |
| **Subtotal Series 1996 Refunding Bonds** | 3,761 | 3,570 | (25) | 3,545 | |
| **Series 1997 Bonds** | | | | | |
| College of William and Mary | | | | | |
| Dormitory Renovation Phase II | 760 | 570 | (500) | 70 | 06/01/06-17 |
| Dormitory Repairs | 3,390 | 2,560 | (2,250) | 310 | 06/01/06-17 |
| Utility System | 2,000 | 1,510 | (1,325) | 185 | 06/01/06-17 |
| James Madison University | | | | | |
| Dining Hall Renovation | 1,330 | 1,005 | (880) | 125 | 06/01/06-17 |
| Residence Hall | 11,625 | 8,765 | (7,700) | 1,065 | 06/01/06-17 |
| Student Services | 6,200 | 4,675 | (4,105) | 570 | 06/01/06-17 |
| Virginia Commonwealth University | | | | | |
| Academic Parking Deck | 12,280 | 9,545 | (8,385) | 1,160 | 06/01/06-17 |
| Virginia Polytechnic Institute and State University | | | | | |
| Parking Auxiliary Project | 1,550 | 1,170 | (1,025) | 145 | 06/01/06-17 |
| Residence Hall | 15,895 | 12,355 | (10,855) | 1,500 | 06/01/06-17 |
| **Subtotal Series 1997 Bonds** | 55,030 | 42,155 | (37,025) | 5,130 | |

*Continued on next page*

## Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution Bonds (Component Units)** *(continued)* | | | | | |
| **Series 1998 Bonds** | | | | | |
| College of William and Mary | | | | | |
| Dormitory Renovation | 6,390 | 4,995 | (4,140) | 855 | 06/01/06-18 |
| George Mason University | | | | | |
| Arl-Metro Parking | 1,915 | 865 | (200) | 665 | 06/01/06-08 |
| James Madison University | | | | | |
| Dining Facilities Renovation | 1,080 | 845 | (700) | 145 | 06/01/06-18 |
| Virginia Polytechnic Institute and State University | | | | | |
| Dining Hall | 3,255 | 2,545 | (2,110) | 435 | 06/01/06-18 |
| Virginia State University | | | | | |
| Jones Dining Hall | 1,045 | 815 | (675) | 140 | 06/01/06-18 |
| **Subtotal Series 1998 Bonds** | 13,685 | 10,065 | (7,825) | 2,240 | |
| **Series 1998 Refunding Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Dormitory and Dining 1992C | 3,260 | 3,075 | (242) | 2,833 | 06/01/06-15 |
| Dormitory and Dining 1994 | 170 | 160 | (2) | 158 | 06/01/06-08 |
| College of William and Mary | | | | | |
| Dormitory Phase II 1994 | 362 | 340 | (3) | 337 | 06/01/06-08 |
| Dormitory 1992D | 701 | 671 | (5) | 666 | 06/01/06-13 |
| Dormitory 1994 | 33 | 31 | - | 31 | 06/01/06-08 |
| University Center 1992C | 6,617 | 6,298 | (585) | 5,713 | 06/01/06-13 |
| George Mason University | | | | | |
| Student Union II 1992A | 1,572 | 1,376 | (144) | 1,232 | 06/01/06-12 |
| James Madison University | | | | | |
| Student Activities 1992C | 4,599 | 4,377 | (405) | 3,972 | 06/01/06-13 |
| Longwood University | | | | | |
| Student Housing 1992A | 2,949 | 2,584 | (271) | 2,313 | 06/01/06-12 |
| University of Mary Washington | | | | | |
| Residence Hall 1992C | 2,094 | 1,993 | (186) | 1,807 | 06/01/06-13 |
| University of Virginia | | | | | |
| Central Ground Parking 1992D | 6,146 | 5,886 | (41) | 5,845 | 06/01/06-13 |
| CVC Dormitory 1992C | 409 | 389 | (43) | 346 | 06/01/06-12 |
| HSC Parking 1992D | 843 | 807 | (6) | 801 | 06/01/06-13 |
| West Scott Stadium 1992D | 614 | 588 | (4) | 584 | 06/01/06-13 |
| VCCS/Northern Virginia Community College | | | | | |
| NVCC Parking Deck 1992A | 1,869 | 1,635 | (175) | 1,460 | 06/01/06-12 |
| Virginia Commonwealth University | | | | | |
| Dormitory Renovations 1992D | 1,636 | 1,567 | (11) | 1,556 | 06/01/06-13 |
| Housing Repairs 1992C | 755 | 716 | (76) | 640 | 06/01/06-12 |
| MCV Parking 1992C | 5,198 | 4,947 | (460) | 4,487 | 06/01/06-13 |
| Virginia Polytechnic Institute and State University | | | | | |
| Dormitory Repairs 1992C | 1,440 | 1,379 | (9) | 1,370 | 06/01/06-13 |
| Dormitory 1992D | 1,380 | 1,321 | (8) | 1,313 | 06/01/06-13 |
| Residence Hall 1992C | 3,158 | 3,005 | (279) | 2,726 | 06/01/06-13 |
| **Subtotal Series 1998 Refunding Bonds** | 45,805 | 43,145 | (2,955) | 40,190 | |

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution Bonds (Component Units)** *(continued)* | | | | | |
| **Series 1999 Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Residence Hall II | 12,980 | 11,135 | (8,805) | 2,330 | 06/01/06-19 |
| Longwood University | | | | | |
| Dining Hall | 3,020 | 2,470 | (1,955) | 515 | 06/01/06-19 |
| Residence Hall Improvements | 2,825 | 2,310 | (1,825) | 485 | 06/01/06-19 |
| University of Virginia | | | | | |
| Residence Hall - Wise | 4,665 | 4,000 | (3,160) | 840 | 06/01/06-19 |
| Virginia Polytechnic Institute and State University | | | | | |
| Dining Hall HVAC | 1,800 | 1,545 | (1,220) | 325 | 06/01/06-19 |
| **Subtotal Series 1999 Bonds** | 25,290 | 21,460 | (16,965) | 4,495 | |
| **Series 2001 Bonds** | | | | | |
| Christopher Newport University | | | | | |
| New Residence Hall | 23,050 | 21,400 | (13,575) | 7,825 | 06/01/06-21 |
| College of William and Mary | | | | | |
| Renovate Dormitories | 4,875 | 4,380 | (2,780) | 1,600 | 06/01/06-21 |
| George Mason University | | | | | |
| Housing Building V | 21,780 | 21,130 | (10,510) | 10,620 | 06/01/06-24 |
| Housing Renovations | 3,435 | 2,770 | (350) | 2,420 | 06/01/06-11 |
| James Madison University | | | | | |
| Bluestone Dorm Phase III | 5,900 | 5,220 | (3,310) | 1,910 | 06/01/06-21 |
| University of Mary Washington | | | | | |
| Residence hall Renovation | 1,925 | 1,725 | (1,095) | 630 | 06/01/06-21 |
| University of Virginia | | | | | |
| Res. Hall-Monroe Lane | 4,670 | 4,190 | (2,655) | 1,535 | 06/01/06-21 |
| **Subtotal Series 2001 Bonds** | 65,635 | 60,815 | (34,275) | 26,540 | |
| **Series 2002 Bonds** | | | | | |
| College of William and Mary | | | | | |
| Dorm Renovations | 5,015 | 4,620 | (175) | 4,445 | 06/01/06-22 |
| George Mason University | | | | | |
| Housing Building V | 8,635 | 7,950 | (295) | 7,655 | 06/01/06-22 |
| James Madison University | | | | | |
| Bluestone Dorm Renovations I | 2,045 | 1,880 | (70) | 1,810 | 06/01/06-22 |
| Bluestone Dorm Renovations II | 2,125 | 1,955 | (75) | 1,880 | 06/01/06-22 |
| Old Dominion University | | | | | |
| Housing Renovation | 2,565 | 2,360 | (85) | 2,275 | 06/01/06-22 |
| Virginia Polytechnic Institute and State University | | | | | |
| Parking Auxiliary Project | 975 | 865 | (50) | 815 | 06/01/06-17 |
| **Subtotal Series 2002 Bonds** | 21,360 | 19,630 | (750) | 18,880 | |
| **Series 2002 Refunding Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Dorm/Dining Projects | 211 | 142 | (72) | 70 | 06/01/06 |
| College of William and Mary | | | | | |
| Dorm Phase II Projects | 448 | 305 | (150) | 155 | 06/01/06 |
| Dorm Renovation Projects | 31 | 20 | (10) | 10 | 06/01/06 |
| Dorm Renovations | 276 | 148 | (72) | 76 | 06/01/06 |
| Dorm Renovations | 362 | 347 | (31) | 316 | 06/01/06-13 |
| Dorm Repairs | 898 | 898 | - | 898 | 06/01/06-16 |
| Underground Utility | 878 | 878 | - | 878 | 06/01/06-16 |
| University Center | 121 | 116 | (11) | 105 | 06/01/06-13 |

*Continued on next page*

## Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution Bonds (Component Units)** *(continued)* | | | | | |
| **Series 2002 Refunding Bonds** *(continued)* | | | | | |
| George Mason University | | | | | |
| Parking Lot IX | 228 | 79 | (79) | - | |
| Physical Education Project | 3,391 | 1,195 | (1,195) | - | |
| Residence Hall II | 548 | 193 | (193) | - | |
| Telecommunications System Projects | 964 | 492 | (492) | - | |
| University Center | 14,696 | 14,519 | (1,051) | 13,468 | 06/01/06-15 |
| James Madison University | | | | | |
| Residence Facility | 3,089 | 3,021 | (284) | 2,737 | 06/01/06-13 |
| Warren Campus Center | 918 | 322 | (322) | - | |
| Longwood University | | | | | |
| Dining Hall | 3,072 | 3,072 | - | 3,072 | 06/01/06-16 |
| University of Mary Washington | | | | | |
| Telecommunications | 2,647 | 2,533 | (235) | 2,298 | 06/01/06-13 |
| University of Virginia | | | | | |
| Central Grounds Parking | 2,392 | 1,277 | (627) | 650 | 06/01/06 |
| HSC Parking | 327 | 174 | (88) | 86 | 06/01/06 |
| Newcomb Hall Expansion Projects | 6,213 | 6,213 | - | 6,213 | 06/01/06-16 |
| Observatory Dining Hall Addition | 239 | 84 | (84) | - | |
| Sponsors Hall Addition | 497 | 173 | (173) | - | |
| Student Activity Center | 152 | 54 | (54) | - | |
| Student Residence Facility Project | 2,796 | 2,796 | - | 2,796 | 06/01/06-16 |
| West Scott Stadium Parking | 241 | 128 | (62) | 66 | 06/01/06 |
| Virginia Commonwealth University | | | | | |
| Dorm Renovations | 633 | 337 | (164) | 173 | 06/01/06 |
| Parking Deck E | 684 | 243 | (243) | - | |
| Visitors Deck | 1,823 | 1,823 | - | 1,823 | 06/01/06-16 |
| Virginia Polytechnic Institute and State University | | | | | |
| Dormitory | 538 | 286 | (139) | 147 | 06/01/06 |
| Dormitory Repairs | 558 | 296 | (144) | 152 | 06/01/06 |
| Virginia State University | | | | | |
| Dorm Renovation | 690 | 690 | - | 690 | 06/01/06-10 |
| Foster Hall | 592 | 592 | - | 592 | 06/01/06-10 |
| Jones Dining Hall | 1,358 | 1,358 | - | 1,358 | 06/01/06-16 |
| Langston Hall | 661 | 661 | - | 661 | 06/01/06-10 |
| **Subtotal Series 2002 Refunding Bonds** | 53,172 | 45,465 | (5,975) | 39,490 | |
| | | | | | |
| **Series 2003 Refunding Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Dormitory Project | 1,209 | 1,079 | (132) | 947 | 06/01/06-11 |
| College of William and Mary | | | | | |
| Graduate Housing | 3,906 | 3,481 | (435) | 3,046 | 06/01/06-11 |
| Randolph Residences | 881 | 742 | (133) | 609 | 06/01/06-09 |
| Telecommunications Systems | 76 | 37 | (37) | - | 06/01/06 |
| Tyler Hall Renovation | 410 | 330 | (77) | 253 | 06/01/06-08 |
| George Mason University | | | | | |
| Parking Lot #10 | 119 | 80 | (38) | 42 | 06/01/06-06 |
| Residence Hall II | 1,390 | 942 | (458) | 484 | 06/01/06-06 |
| Residence Hall IV | 5,438 | 4,748 | (707) | 4,041 | 06/01/06-10 |
| Security/Info Building | 72 | 47 | (24) | 23 | 06/01/06-06 |

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution Bonds (Component Units)** *(continued)* | | | | | |
| **Series 2003 Refunding Bonds** *(continued)* | | | | | |
| James Madsion University | | | | | |
| Gibbons Hall Renovation | 1,316 | 1,149 | (171) | 978 | 06/01/06-10 |
| Student Residence Hall | 1,387 | 1,122 | (260) | 862 | 06/01/06-08 |
| Longwood University | | | | | |
| Housing Repairs | 212 | 186 | (25) | 161 | 06/01/06-10 |
| Norfolk State University | | | | | |
| Cafeteria Renovation | 2,234 | 1,992 | (249) | 1,743 | 06/01/06-11 |
| Residence Hall | 1,948 | 1,702 | (251) | 1,451 | 06/01/06-10 |
| Residence Hall | 5,133 | 4,574 | (575) | 3,999 | 06/01/06-11 |
| Old Dominion University | | | | | |
| Athletic Facility | 2,970 | 2,594 | (387) | 2,207 | 06/01/06-10 |
| Multi-Level Parking | 2,333 | 2,036 | (301) | 1,735 | 06/01/06-10 |
| Property at 43rd and Hampton | 148 | 121 | (29) | 92 | 06/01/06-08 |
| Webb Center Addition | 3,686 | 3,283 | (413) | 2,870 | 06/01/06-11 |
| Radford University | | | | | |
| Norwood Hall Renovation | 373 | 254 | (121) | 133 | 06/01/06-06 |
| University of Mary Washington | | | | | |
| Student Activity Center | 702 | 476 | (232) | 244 | 06/01/06-06 |
| Residence Hall | 1,461 | 1,278 | (191) | 1,087 | 06/01/06-10 |
| University of Virginia | | | | | |
| Heater/Chiller Replacement | 583 | 510 | (75) | 435 | 06/01/06-10 |
| Hospital Parking Garage | 1,147 | 777 | (378) | 399 | 06/01/06-06 |
| Student Housing | 7,587 | 6,759 | (849) | 5,910 | 06/01/06-11 |
| Virginia Polytechnic Institute and State University | | | | | |
| Dorm and Dining Renovation | 2,694 | 2,398 | (300) | 2,098 | 06/01/06-11 |
| Parking Renovations | 2,268 | 2,021 | (254) | 1,767 | 06/01/06-11 |
| Squires Center Renovation | 684 | 596 | (90) | 506 | 06/01/06-10 |
| Squires Student Center | 1,755 | 1,562 | (197) | 1,365 | 06/01/06-11 |
| Student Activities Center | 5,457 | 4,407 | (1,014) | 3,393 | 06/01/06-08 |
| **Subtotal Series 2003 Refunding Bonds** | 59,579 | 51,283 | (8,403) | 42,880 | |
| | | | | | |
| **Series 2004 New Money and Refunding Bonds** | | | | | |
| Christopher Newport University | | | | | |
| New Residence Hall - '01 Refunded Portion | 12,842 | - | 12,582 | 12,582 | 06/01/06-20 |
| Residence Hall II - '99 Refunded Portion | 8,416 | - | 8,240 | 8,240 | 06/01/06-19 |
| College of William & Mary | | | | | |
| Dorm Renovation Phase II - '97 Refunded Portion | 469 | - | 459 | 459 | 06/01/06-17 |
| Dorm Renovations - '98 Refunded Portion | 3,778 | - | 3,705 | 3,705 | 06/01/06-18 |
| Dorm Repairs - '97 Refunded Portion | 2,077 | - | 2,034 | 2,034 | 06/01/06-17 |
| Renovate Dormitories - '01 Refunded Portion | 2,629 | - | 2,576 | 2,576 | 06/01/06-20 |
| Utility System - '97 Refunded Portion | 1,226 | - | 1,201 | 1,201 | 06/01/06-17 |
| George Mason University | | | | | |
| Commonwealth and Dominion Housing | 2,340 | - | 2,160 | 2,160 | 06/01/06-14 |
| Housing Building V - '01 Refunded Portion | 9,940 | - | 9,739 | 9,739 | 06/01/06-20 |
| James Madison University | | | | | |
| Bluestone Dorm, Phase II - '01 Refunded Portion | 3,130 | - | 3,066 | 3,066 | 06/01/06-20 |
| Dining Facilities Renovation - '98 Ref. Portion | 638 | - | 626 | 626 | 06/01/06-18 |
| Dining Hall Renovation - '97 Refunded Portion | 818 | - | 801 | 801 | 06/01/06-17 |
| Residence Hall - '97 Refunded Portion | 7,093 | - | 6,946 | 6,946 | 06/01/06-17 |
| Student Services - '97 Refunded Portion | 3,783 | - | 3,705 | 3,705 | 06/01/06-17 |

*Continued on next page*

## Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution Bonds (Component Units)** *(continued)* | | | | | |
| **Series 2004 New Money and Refunding Bonds** *(continued)* | | | | | |
| Longwood University | | | | | |
| Dining Hall - '99 Refunded Portion | 1,868 | - | 1,829 | 1,829 | 06/01/06-19 |
| Residence Hall Improvements - '99 Refunded Portion | 1,747 | - | 1,710 | 1,710 | 06/01/06-19 |
| University of Mary Washington | | | | | |
| Residence Hall Renovation - '01 Refunded Portion | 1,036 | - | 1,015 | 1,015 | 06/01/06-20 |
| University of Virginia | | | | | |
| Residence Hall - Monroe Lane - '01 Ref. Portion | 2,513 | - | 2,462 | 2,462 | 06/01/06-20 |
| Residence Hall - Wise - '99 Refunded Portion | 3,020 | - | 2,957 | 2,957 | 06/01/06-19 |
| Virginia Commonwealth University | | | | | |
| Academic Parking Deck - '97 Refunded Portion | 7,723 | - | 7,563 | 7,563 | 06/01/06-17 |
| Virginia Military Institute | | | | | |
| VMI - Crozet Hall and Parking | 11,240 | - | 11,240 | 11,240 | 06/01/06-25 |
| Virginia Polytechnic Institute and State University | | | | | |
| Dining Hall - '98 Refunded Portion | 1,928 | - | 1,891 | 1,891 | 06/01/06-18 |
| Dining Hall HVAC - '99 Refunded Portion | 1,168 | - | 1,143 | 1,143 | 06/01/06-19 |
| Parking Auxilliary Project - '97 Refunded Portion | 951 | - | 931 | 931 | 06/01/06-17 |
| Residence Hall - '97 Refunded Portion | 9,995 | - | 9,788 | 9,788 | 06/01/06-17 |
| Renovate Dietrick Severy, Phase II | 4,800 | - | 4,650 | 4,650 | 06/01/06-24 |
| Virginia State University | | | | | |
| Jones Dining Hall - '98 Refunded Portion | 618 | - | 606 | 606 | 06/01/06-18 |
| **Subtotal Series 2004 New Money and Refunding Bonds** | 107,786 | - | 105,625 | 105,625 | |
| Deferral on Debt Defeasance | - | (6,024) | (6,591) | (12,615) | |
| **Subtotal Higher Educational Institution Bonds** | 538,548 | 316,923 | (19,960) | 296,963 | |
| **Transportation Facilities Bonds (Primary Government)** | | | | | |
| Series 1989, Dulles Toll Road | 34,348 | 12,995 | (2,271) | 10,724 | 06/01/06-09 |
| Series 1996, Dulles Toll Road | 45,235 | 8,665 | (2,000) | 6,665 | 06/01/06-08 |
| Series 1996, Coleman Bridge Refunding | 34,750 | 33,235 | (210) | 33,025 | 06/01/06-21 |
| Series 1998, Coleman Bridge Refunding | 3,135 | 2,965 | (30) | 2,935 | 06/01/06-08 |
| Series 2002, Coleman Bridge Refunding | 3,775 | 2,610 | (1,280) | 1,330 | 06/01/06 |
| Series 2002, Dulles Refunding | 24,615 | 24,615 | - | 24,615 | 06/01/07-16 |
| Series 2003, Dulles Refunding | 18,765 | 15,058 | (3,815) | 11,243 | 006/01/06-08 |
| Deferral on Debt Defeasance | - | (2,113) | 113 | (2,000) | |
| Unamortized Premium (3) | - | 3,098 | (1,090) | 2,008 | |
| **Subtotal Transportation Facilities Bonds** | 164,623 | 101,128 | (10,583) | 90,545 | |
| **Parking Facilities Bonds (Primary Government)** | | | | | |
| Series 1996 | 3,495 | 670 | (155) | 515 | 06/01/06-08 |
| Series 2002 Refunding | 230 | 230 | - | 230 | 06/01/08-15 |
| Series 2003 Refunding | 5,860 | 5,220 | (651) | 4,569 | 06/01/06-11 |
| Series 2004 | 5,390 | - | 5,220 | 5,220 | 06/01/06-24 |
| Deferral on Debt Defeasance | - | (403) | 46 | (357) | |
| Unamortized Premium (3) | - | 650 | 213 | 863 | |
| **Subtotal Parking Facilities Bonds** | 14,975 | 6,367 | 4,673 | 11,040 | |
| **Total Section 9(c) Debt** | 718,146 | 424,418 | (25,870) | 398,548 | |
| **Total General Obligation Debt** | 1,509,021 | 853,309 | 100,686 | 953,995 | |

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **Non-General Obligation Debt** | | | | | |
| **Section 9(d) Debt** | | | | | |
| **Virginia Public Building Authority Bonds (Primary Government)** | | | | | |
| Series 1992B | 94,335 | 38,767 | (15,230) | 23,537 | 08/01/05-10 |
| Accreted Principal | - | 44,114 | 4,547 | 48,661 | 08/01/05-10 |
| Series 1993A | 60,995 | 3,246 | (3,246) | - | 08/01/05-13 |
| Series 1994A | 79,220 | 3,400 | (3,400) | - | 08/01/05-05 |
| Series 1995 | 187,410 | 15,600 | (7,605) | 7,995 | 08/01/05-16 |
| Series 1996A | 97,430 | 79,930 | (75,395) | 4,535 | 08/01/05-15 |
| Series 1997A | 152,885 | 49,545 | (29,570) | 19,975 | 08/01/05-17 |
| Series 1998A Refunding | 147,000 | 134,115 | (11,105) | 123,010 | 08/01/05-13 |
| Series 1998B | 40,425 | 33,770 | (26,685) | 7,085 | 08/01/05-18 |
| Series 1999A | 68,920 | 59,610 | (48,010) | 11,600 | 08/01/05-19 |
| Series 1999B | 27,730 | 22,150 | (13,165) | 8,985 | 08/01/05-14 |
| Series 2000A | 104,990 | 96,270 | (70,610) | 25,660 | 08/01/05-20 |
| Series 2001A | 35,830 | 33,465 | (1,290) | 32,175 | 08/01/05-22 |
| Series 2002A | 55,000 | 53,345 | (1,990) | 51,355 | 08/01/05-23 |
| Series 2003A | 38,809 | 38,809 | (269) | 38,540 | 08/01/05-15 |
| Series 2004A | 187,106 | 187,106 | - | 187,106 | 08/01/05-15 |
| Series 2004B | 207,065 | - | 207,065 | 207,065 | 08/01/05-24 |
| Series 2004C | 39,260 | - | 39,260 | 39,260 | 08/01/05-15 |
| Series 2004D | 106,460 | - | 106,460 | 106,460 | 08/01/05-20 |
| Series 2005A | 47,305 | - | 47,305 | 47,305 | 08/01/05-18 |
| Series 2005B | 135,675 | - | 135,675 | 135,675 | 08/01/05-19 |
| Deferral on Debt Defeasance | - | (23,976) | (12,534) | (36,510) | |
| Unamortized Premium (3) | - | 18,563 | 34,033 | 52,596 | |
| **Total Virginia Public Building Authority Bonds** | 1,913,850 | 887,829 | 254,241 | 1,142,070 | |
| | | | | | |
| **Virginia College Building Authority Bonds (Component Unit) (1)** | | | | | |
| 21st Century College Program | | | | | |
| Series 1996 | 53,160 | 40,955 | (33,420) | 7,535 | 08/01/05-16 |
| Series 1998 | 54,785 | 44,655 | (23,015) | 21,640 | 08/01/05-17 |
| Series 1999 | 59,495 | 14,955 | (725) | 14,230 | 02/01/06-19 |
| Series 2000 | 60,900 | 22,820 | (20,480) | 2,340 | 02/01/06-20 |
| Series 2001 | 65,795 | 29,055 | (13,210) | 15,845 | 02/01/06-21 |
| Series 2002 | 130,795 | 107,455 | (12,345) | 95,110 | 02/01/06-22 |
| Series 2003 | 140,250 | 129,495 | (9,360) | 120,135 | 02/01/06-23 |
| Series 2004A | 172,745 | - | 158,670 | 158,670 | 02/01/06-24 |
| Series 2004B Refunding | 61,395 | - | 60,290 | 60,290 | 02/01/06-20 |
| Series 2005 | 115,785 | - | 115,785 | 115,785 | 02/01/06-25 |
| Deferral on Debt Defeasance | - | - | (4,631) | (4,631) | |
| Unamortized Premium (3) | - | 13,404 | 21,097 | 34,501 | |
| **Total Virginia College Building Authority Bonds** | 915,105 | 402,794 | 238,656 | 641,450 | |
| | | | | | |
| **Transportation Debt (Primary Government)** | | | | | |
| Route 28 Refunding Bonds | 111,680 | 116,734 | (2,223) | 114,511 | 10/01/03-18 |
| Transportation Revenue Bonds (U.S. Route 58) | 606,620 | 586,335 | (16,265) | 570,070 | 11/15/03-26 |
| Northern Virginia Transportation District Program | 324,410 | 330,895 | (7,840) | 323,055 | 11/15/03-26 |
| Oak Grove Connector (Chesapeake) | 33,075 | 26,820 | (950) | 25,870 | 11/15/03-23 |
| Deferral on Debt Defeasance | - | (10,883) | (30,398) | (41,281) | |
| Unamortized Premium (3) | - | 24,688 | 24,484 | 49,172 | |
| **Total Section 9(d) Transportation Debt** | 1,075,785 | 1,074,589 | (33,192) | 1,041,397 | |

*Continued on next page*

## Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2004 | Issued (Retired) During Year | Outstanding June 30, 2005 | Maturity |
|---|---|---|---|---|---|
| **Non-General Obligation Debt** *(continued)* | | | | | |
| **Section 9(d) Debt** *(continued)* | | | | | |
| **Virginia Port Authority Debt (Component Unit)** | | | | | |
| Series 1996 | 38,300 | 30,055 | (1,635) | 28,420 | 10/15/96-16 |
| Refunding Series 1998 | 71,015 | 45,600 | (8,240) | 37,360 | 04/01/98-08 |
| Series 2002 | 135,000 | 137,143 | (3,143) | 134,000 | 7/11/92-27 |
| Series 2005 | 60,000 | - | 60,000 | 60,000 | 7/01/05-30 |
| Unamortized Premium | - | - | 5,738 | 5,738 | |
| **Total Virginia Port Authority Debt** | 304,315 | 212,798 | 52,720 | 265,518 | |
| **Innovative Technology Authority Debt (Component Unit)** | | | | | |
| Series 1997 | 13,300 | 9,345 | (710) | 8,635 | 5/1/97-14 |
| **Virginia Biotechnology Research Park Authority (Component Unit)** | | | | | |
| Series 1996 | 91,010 | 81,295 | (27,140) | 54,155 | 09/01/03-19 |
| Unamortized Premium | - | - | 450 | 450 | |
| | 91,010 | 81,295 | (26,690) | 54,605 | |
| **Virginia Public Broadcasting Board Board Notes Payable** | 23,840 | 17,950 | (2,175) | 15,775 | 08/01/03-11 |
| **Industrial Development Authority Obligations** | 42,490 | 30,845 | (3,745) | 27,100 | 03/01/03-11 |
| **Total Section 9(d) Debt** | 4,379,695 | 2,717,445 | 479,105 | 3,196,550 | |
| **Non-General Obligation Debt and Other Obligations** | | | | | |
| **Other Long-term Debt (2)** | | | | | |
| Capital Leases (4) | - | 344,076 | (164,005) | 180,071 | |
| Installment Purchase Obligations | - | 54,455 | 55,206 | 109,661 | |
| Transportation Notes Payable | - | 12,325 | - | 12,325 | |
| Regional Jail Construction Liability | - | 16,654 | (1,624) | 15,030 | |
| Aviation Note Payable | 6,600 | 3,341 | (286) | 3,055 | |
| **Total Other Long-term Debt** | 6,600 | 430,851 | (110,709) | 320,142 | |
| **Other Long-term Obligations** | | | | | |
| Compensated Absences | - | 487,145 | 14,240 | 501,385 | |
| Pension Liability | - | 762,761 | 97,671 | 860,432 | |
| Other | - | 20,928 | (2,167) | 18,761 | |
| **Total Other Long-term Obligations** | - | 1,270,834 | 109,744 | 1,380,578 | |
| **Total Non-General Obligation Debt and Other Obligations** | 4,386,295 | 4,419,130 | 478,140 | 4,897,270 | |
| **Total Tax-Supported Debt and Other Obligations** | $ 5,895,316 | $ 5,272,439 | $ 578,826 | $ 5,851,265 | |

(1) These amounts are reported as notes payable on the Higher Education Institutions' financial statements.
(2) Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Mangement's Discussion and Analysis - for State and Local Governments* , Governmental Activities includes Internal Service Funds.
(3) Adjustment to prior year balance was made in fiscal year 2005 to reflect unamortized premium not recorded.
(4) Adjustment to prior year balance was made in fiscal year 2005 to reflect restatement of capital lease obligations.

# STATISTICAL SECTION

The financial presentations included in this section provide comparisons of economic and social characteristics and financial trends over a ten-year period. The statistical data presented are intended to give users of the financial statements, as well as the investment community, a better historical perspective and assessment of the current financial status and trends of the Commonwealth.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

## Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis
## General Governmental Revenues by Source and Expenditures by Function (1)

For Fiscal Year Ended June 30
(Dollars in Millions)

| | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|
| **Tax Revenues:** | | | | |
| Individual and Fiduciary Income | $ 8,344 | $ 7,380 | $ 6,751 | $ 6,758 |
| Sales and Use | 3,569 | 3,007 | 2,722 | 2,646 |
| Motor Fuels | 912 | 904 | 881 | 859 |
| Corporation Income | 644 | 426 | 344 | 236 |
| Public Service Corporations | 89 | 91 | 99 | 82 |
| Motor Vehicle Sales and Use | 599 | 589 | 529 | 527 |
| Gross Premiums of Insurance Companies | 374 | 351 | 333 | 293 |
| Alcoholic Beverage Sales Tax | 89 | 86 | 81 | 76 |
| Deeds, Contracts, Wills, and Suits | 597 | 341 | 286 | 214 |
| Beer and Beverage Excise | 43 | 43 | 42 | 42 |
| Estate | 161 | 148 | 141 | 138 |
| Tobacco Products | 122 | 16 | 15 | 15 |
| Bank Stock | 10 | 9 | 9 | 10 |
| Wine and Spirits / ABC Liter | 14 | 8 | 9 | 10 |
| Other Taxes | 71 | 134 | 109 | 91 |
| Total Tax Revenues | 15,638 | 13,533 | 12,351 | 11,997 |
| | | | | |
| **Other Revenues:** | | | | |
| Federal and Other Grants, Donations, and Federal | | | | |
| Revenue Sharing | 5,627 | 5,832 | 5,524 | 4,916 |
| Institutional Revenue | 324 | 338 | 334 | 444 |
| Sales of Property and Commodities | 37 | 28 | 26 | 28 |
| Rights and Privileges | 758 | 734 | 689 | 623 |
| Interest, Dividends, and Rents | 204 | 84 | 191 | 264 |
| Fines, Forfeitures, Costs, Penalties and Escheats | 317 | 317 | 380 | 330 |
| Assessments - Special Services | 105 | 96 | 96 | 99 |
| Other Revenues | 685 | 475 | 468 | 1,101 |
| Total Other Revenues | 8,057 | 7,904 | 7,708 | 7,805 |
| Total Revenues | $ 23,695 | $ 21,437 | $ 20,059 | $ 19,802 |
| | | | | |
| Percentage Increase Over Previous Year | 10.5% | 6.9% | 1.3% | 5.1% |
| | | | | |
| **Expenditures by Function:** | | | | |
| Education | $ 7,068 | $ 6,236 | $ 6,250 | $ 6,187 |
| Administration of Justice | 2,204 | 2,052 | 2,032 | 2,157 |
| Individual and Family Services | 8,060 | 7,525 | 7,134 | 6,864 |
| Resources and Economic Development | 708 | 668 | 641 | 721 |
| Transportation | 3,115 | 2,917 | 3,044 | 3,269 |
| General Government (2) | 2,101 | 2,179 | 1,925 | 1,805 |
| Enterprises | - | - | - | - |
| Capital Outlay | 414 | 193 | 108 | 255 |
| Total Expenditures | $ 23,670 | $ 21,770 | $ 21,134 | $ 21,258 |
| | | | | |
| Percentage Increase Over Previous Year | 8.7% | 3.0% | -0.6% | 16.7% |

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) Fiscal years 2001-1996 represent basis of budgeting amounts.

(2) General Government expenditure amounts for fiscal year 2002-2005 include debt service principal retirement and interest charges.

Source: Department of Accounts

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|
| $ 7,226 | $ 6,829 | $ 6,088 | $ 5,405 | $ 4,736 | $ 4,301 |
| 2,661 | 2,574 | 2,410 | 2,240 | 2,134 | 2,010 |
| 821 | 794 | 778 | 759 | 722 | 715 |
| 364 | 566 | 420 | 451 | 432 | 402 |
| 98 | 104 | 112 | 102 | 126 | 116 |
| 497 | 492 | 436 | 394 | 384 | 370 |
| 268 | 251 | 245 | 237 | 219 | 218 |
| 73 | 70 | 64 | 61 | 59 | 59 |
| 168 | 146 | 158 | 127 | 4 | 95 |
| 41 | 41 | 40 | 39 | 38 | 39 |
| 127 | 150 | 154 | 122 | 92 | 69 |
| 15 | 15 | 16 | 16 | 16 | 16 |
| 5 | 12 | 13 | 8 | 9 | 8 |
| 10 | 7 | 7 | 7 | 7 | 7 |
| 63 | 58 | 52 | 44 | 142 | 16 |
| 12,437 | 12,109 | 10,993 | 10,012 | 9,120 | 8,441 |
| | | | | | |
| | | | | | |
| | | | | | |
| 3,778 | 3,459 | 3,264 | 3,035 | 2,821 | 2,705 |
| 466 | 439 | 376 | 331 | 309 | 346 |
| 122 | 91 | 91 | 71 | 103 | 7 |
| 601 | 577 | 541 | 516 | 499 | 475 |
| 218 | 169 | 166 | 136 | 149 | 116 |
| 171 | 162 | 163 | 148 | 135 | 122 |
| 114 | 52 | 48 | 37 | 34 | 34 |
| 941 | 875 | 589 | 536 | 671 | 505 |
| 6,411 | 5,824 | 5,238 | 4,810 | 4,721 | 4,310 |
| $ 18,848 | $ 17,933 | $ 16,231 | $ 14,822 | $ 13,841 | $ 12,751 |
| | | | | | |
| 5.1% | 10.5% | 9.5% | 7.1% | 8.5% | 4.9% |
| | | | | | |
| | | | | | |
| $ 4,659 | $ 4,353 | $ 4,125 | $ 3,614 | $ 3,432 | $ 3,145 |
| 2,072 | 1,898 | 1,730 | 1,537 | 1,377 | 1,318 |
| 5,985 | 5,609 | 5,105 | 4,800 | 4,541 | 4,413 |
| 707 | 614 | 574 | 502 | 447 | 445 |
| 2,846 | 2,585 | 2,634 | 2,377 | 2,272 | 2,124 |
| 1,508 | 1,175 | 791 | 525 | 498 | 459 |
| 107 | 94 | 92 | 81 | 76 | 69 |
| 326 | 354 | 363 | 477 | 378 | 267 |
| $ 18,210 | $ 16,682 | $ 15,414 | $ 13,913 | $ 13,021 | $ 12,240 |
| | | | | | |
| 9.2% | 8.2% | 10.8% | 6.9% | 6.4% | 2.3% |

## Computation of Legal Debt Limit and Margin

For Revenues Collected through June 30, 2005
(Dollars in Thousands)

| | Fiscal Year Ended June 30, | | |
|---|---|---|---|
| | 2005 | 2004 | 2003 |
| **Tax Revenues Required for Computation** | | | |
| Taxes on Income and Retail Sales: | | | |
| Individual and Fiduciary Income Tax [1] | $ 8,352,366 | $ 7,430,365 | $ 6,775,746 |
| Corporate Income Tax [2] | 616,690 | 434,493 | 343,319 |
| State Sales and Use Tax [3] | 3,093,725 | 2,582,797 | 2,335,958 |
| Total | $ 12,062,781 | $ 10,447,655 | $ 9,455,023 |
| **Average Tax Revenues for the Three Fiscal Years** | | | $ 10,655,153 |
| **Section 9(a)(2) General Obligation Debt Limit [4]** | | | |
| Debt Issuance Limit (30% of 1.15 times annual tax revenues for fiscal year 2005) | | | $ 4,161,659 |
| Less Bonds Outstanding: | | | - |
| Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds | | | $ 4,161,659 |
| **Section 9(b) General Obligation Debt Limit** | | | |
| Debt Issuance Limit (1.15 times average tax revenues for three fiscal years as calculated above) | | | $ 12,253,426 |
| Less Bonds Outstanding:** | | | |
| Public Facilities Bonds [6] | | $ 520,655 | |
| Transportation Facilities Refunding Bonds [5] [6] | | 34,792 | 555,447 |
| Debt Issuance Margin for Section 9(b) General Obligation Bonds | | | $ 11,697,979 |
| Additional Section 9(b) Debt Borrowing Restriction: | | | |
| Four-year Authorization Restriction (25% of 9(b) Debt Limit) | | | $ 3,063,356 |
| Less 9(b) Debt authorized in past three fiscal years | | | 1,019,529 |
| Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly) | | | $ 2,043,827 |
| **Section 9(c) General Obligation Debt Limit** | | | |
| Debt Issuance Limit (1.15 times average tax revenues for three fiscal years as calculated above) | | | $ 12,253,426 |
| Less Bonds Outstanding:** | | | |
| Parking Facilities Bonds [6] | | $ 11,040 | |
| Transportation Facilities Bonds [6] | | 90,545 | |
| Higher Educational Institution Bonds [6] | | 296,963 | 398,548 |
| Debt Issuance Margin for Section 9(c) General Obligation Bonds | | | $ 11,854,878 |

**Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

(1) Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia* .

(2) Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia.*

(3) Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia,* less taxes identified in Sections 58.1-605 and 58.1-638.

(4) Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the *Constitution of Virginia* .

(5) These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.

(6) Net of unamortized premium, discount and deferral on debt defeasance.

Sources: Department of Accounts
Department of the Treasury

## Ratio of General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years
(Amounts in Thousands Except Per Capita)

| For the Fiscal Year Ended June 30, | Population (1) | General Obligation Debt (2) | General Long-term Debt Per Capita |
|---|---|---|---|
| 2005 | 7,512 | $ 953,995 | $ 127 |
| 2004 | 7,432 | 834,832 | 112 |
| 2003 | 7,275 | 917,078 | 126 |
| 2002 | 7,051 | 955,759 | 136 |
| 2001 | 6,995 | 968,108 | 138 |
| 2000 | 6,929 | 1,046,191 | 151 |
| 1999 | 6,858 | 1,108,929 | 162 |
| 1998 | 6,784 | 1,139,927 | 167 |
| 1997 | 6,739 | 1,140,862 | 169 |
| 1996 | 6,663 | 1,054,305 | 158 |

(1) Population figure for 2005 is estimated.
(2) Includes 9(a), 9(b) and 9(c) debt, net of unamortized premiums, discounts, deferral on debt defeasance, and bond anticipation notes payable.

Sources: Department of Accounts
Department of Taxation

## Percentage of Annual Debt Service Expenditures for Governmental Debt to Total Expenditures – All Governmental Fund Types

Last Ten Fiscal Years
(Dollars in Thousands)

| For the Fiscal Year Ended June 30, | Debt Service (1) | Total Expenditures (2) | Percentage |
|---|---|---|---|
| 2005 | $ 414,035 | $ 23,670,765 | 1.75 |
| 2004 | 421,927 | 21,769,073 | 1.94 |
| 2003 | 375,993 | 21,134,149 | 1.78 |
| 2002 | 321,998 | 21,257,353 | 1.51 |
| 2001 | 310,617 | 18,190,526 | 1.71 |
| 2000 | 308,174 | 16,722,019 | 1.84 |
| 1999 | 323,634 | 15,431,118 | 2.10 |
| 1998 | 287,971 | 14,167,795 | 2.03 |
| 1997 | 271,140 | 13,636,962 | 1.99 |
| 1996 | 206,885 | 12,103,923 | 1.71 |

(1) Includes principal and interest payments related to general bonded debt reflected in the governmental activities column of the Government-wide Statement of Net Assets. The principal outstanding at June 30, 2005 was $3.6 billion.
(2) Includes General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds.

Source: Department of Accounts

## Schedule of Revenue Bond Coverage – Higher Education Section 9(d) Long-term Debt (Discrete Component Units) (1)

Last Ten Fiscal Years
(Dollars in Thousands Except Coverage)

| | For the Fiscal Year Ended June 30, | Beginning Balance (2)(3) | Gross Revenues (2)(3) | Operating Expenses (2)(3) | Net Available for Debt Service | Debt Service Requirements (6) | Coverage |
|---|---|---|---|---|---|---|---|
| **Virginia Commonwealth University (4)(5)** | 2005 | $ 1,073,762 | $ 1,491,723 | $ 1,558,798 | $ 1,006,687 | $ 11,380 | 88.46 |
| | 2004 | 942,258 | 1,311,190 | 1,388,458 | 864,990 | 5,425 | 159.45 |
| | 2003 | 644,193 | 1,350,225 | 1,314,749 | 679,669 | 10,150 | 66.96 |
| | 2002 | 629,752 | 1,208,818 | 1,185,449 | 653,121 | 14,511 | 45.01 |
| | 2001 | 28,813 | 396,946 | 384,575 | 41,184 | 4,875 | 8.45 |
| | 2000 | 32,353 | 375,912 | 371,263 | 37,002 | 4,878 | 7.59 |
| | 1999 | 29,381 | 372,266 | 358,473 | 43,174 | 4,209 | 10.26 |
| | 1998 | 30,849 | 336,835 | 334,318 | 33,366 | 3,563 | 9.36 |
| | 1997 | 180,008 | 728,116 | 699,581 | 208,543 | 957 | 217.91 |
| | 1996 | 156,136 | 673,639 | 637,376 | 192,399 | 6,079 | 31.65 |
| **University of Virginia (5)** | 2005 | $ 4,436,635 | $ 1,898,591 | $ 2,095,985 | $ 4,239,241 | $ 22,720 | 186.59 |
| | 2004 | 4,086,059 | 1,756,733 | 1,915,828 | 3,926,964 | 8,430 | 465.83 |
| | 2003 | 3,177,746 | 1,751,395 | 1,503,806 | 3,425,335 | 6,965 | 491.79 |
| | 2002 | 3,140,687 | 1,482,805 | 1,443,255 | 3,180,237 | 19,529 | 162.85 |
| | 2001 | 155,695 | 1,081,910 | 1,012,292 | 225,313 | 18,963 | 11.88 |
| | 2000 | 128,167 | 981,040 | 903,124 | 206,083 | 18,829 | 10.94 |
| | 1999 | 134,601 | 921,043 | 861,269 | 194,375 | 14,061 | 13.82 |
| | 1998 | 133,683 | 904,027 | 832,901 | 204,809 | 14,051 | 14.58 |
| | 1997 | 153,000 | 830,731 | 771,806 | 211,925 | 14,057 | 15.08 |
| | 1996 | 147,556 | 783,722 | 728,665 | 202,613 | 13,834 | 14.65 |
| **Virginia Polytechnic Institute and State University (5)** | 2005 | $ 1,000,681 | $ 546,161 | $ 817,515 | $ 729,327 | $ 11,731 | 62.17 |
| | 2004 | 907,570 | 492,463 | 769,955 | 630,078 | 5,806 | 108.52 |
| | 2003 | 419,381 | 756,540 | 709,696 | 466,225 | 5,480 | 85.08 |
| | 2002 | 419,356 | 702,052 | 698,469 | 422,939 | 7,403 | 57.13 |
| | 2001 | 12,347 | 544,800 | 522,738 | 34,409 | 7,402 | 4.65 |
| | 2000 | 9,919 | 518,426 | 494,931 | 33,414 | 7,412 | 4.51 |
| | 1999 | 11,892 | 488,100 | 471,574 | 28,418 | 7,413 | 3.83 |
| | 1998 | 12,280 | 453,227 | 437,879 | 27,628 | 5,709 | 4.84 |
| | 1997 | 18,118 | 421,073 | 407,384 | 31,807 | 2,110 | 15.07 |
| | 1996 | 756 | 396,893 | 367,269 | 30,380 | 1,531 | 19.84 |
| **Norfolk State University (5)** | 2005 | $ 54,893 | $ 70,003 | $ 125,328 | $ (432) | $ 902 | (0.48) |
| | 2004 | 50,742 | 66,710 | 111,032 | 6,420 | 469 | 13.69 |
| | 2003 | 38,579 | 107,092 | 105,914 | 39,757 | 451 | 88.15 |
| | 2002 | 39,967 | 101,447 | 103,325 | 38,089 | 901 | 42.27 |
| | 2001 | (1,499) | 81,088 | 72,923 | 6,666 | 904 | 7.37 |
| | 2000 | 1,315 | 75,692 | 71,823 | 5,184 | 901 | 5.75 |
| | 1999 | (7,801) | 71,392 | 61,250 | 2,341 | 902 | 2.60 |
| | 1998 | (5,289) | 63,094 | 60,596 | (2,791) | 902 | (3.09) |
| | 1997 | (1,370) | 61,787 | 62,841 | (2,424) | 552 | (4.39) |
| | 1996 | 349 | 59,097 | 58,750 | 696 | 174 | 4.00 |

| | For the Fiscal Year Ended June 30, | Beginning Balance (2)(3) | Gross Revenues (2)(3) | Operating Expenses (2)(3) | Net Available for Debt Service | Debt Service Requirements (6) | Coverage |
|---|---|---|---|---|---|---|---|
| **James Madison University (5)** | 2005 | $ 302,233 | $ 192,723 | $ 262,956 | $ 232,000 | $ 1,657 | 140.01 |
| | 2004 | 261,958 | 184,755 | 243,016 | 203,697 | 1,272 | 160.14 |
| | 2003 | 208,421 | 240,427 | 225,449 | 223,399 | 1,155 | 193.42 |
| | 2002 | 194,211 | 225,618 | 210,660 | 209,169 | 1,709 | 122.39 |
| | 2001 | 453 | 202,842 | 186,384 | 16,911 | 1,707 | 9.91 |
| | 2000 | (810) | 186,516 | 171,158 | 14,548 | 1,706 | 8.53 |
| | 1999 | 130 | 185,181 | 171,850 | 13,461 | 1,708 | 7.88 |
| | 1998 | (2,971) | 163,018 | 149,244 | 10,803 | 1,712 | 6.31 |
| | 1997 | 1,868 | 149,340 | 142,846 | 8,362 | 1,714 | 4.88 |
| | 1996 | 1,114 | 132,593 | 121,341 | 12,366 | 1,712 | 7.22 |
| **Virginia College Building Authority** | 2005 | $ (497,930) | $ 36,215 | $ 151,348 | $ (613,063) | $ 81,310 | (7.54) |
| | 2004 | (387,160) | 31,897 | 195,920 | (551,183) | 19,550 | (28.19) |
| | 2003 | (283,273) | 88,053 | 170,515 | (365,735) | 14,730 | (24.83) |
| | 2002 | (215,223) | 30,441 | 78,173 | (262,955) | 20,726 | (12.69) |
| | 2001 | 2,016 | 13,580 | 383 | 15,213 | 13,849 | 1.10 |
| | 2000 | 1,399 | 11,334 | 363 | 12,370 | 4,662 | 2.65 |
| | 1999 | 937 | 9,597 | 537 | 9,997 | 8,764 | 1.14 |
| | 1998 | 141 | 8,017 | 7,174 | 984 | 4,637 | 0.21 |
| | 1997 | 138 | 3,622 | 3,619 | 141 | 2,408 | 0.06 |
| | 1996 | 264 | 2,401 | 125 | 2,540 | 2,226 | 1.14 |

(1) Coverage relates to Higher Education 9(d) Revenue Bonds. The outstanding principal of this debt at June 30, 2005, was $1,187,324,201 and the outstanding interest was $591,974,742.

(2) These amounts are reported from individual institution's financial statements.

(3) Beginning in 2002, total net assets, gross revenues, and gross expenses (less interest) are used.

(4) Beginning in 2002, Virginia Commonwealth University's amounts include the Virginia Commonwealth University Health System Authority.

(5) Beginning in 2004, all amounts except Debt Service Requirements include FASB Foundations as defined in Note 1.B.

(6) Debt Service Requirements includes principal and interest only for Higher Education Institutions and principal only for FASB Foundations.

Sources: Department of Accounts
Department of the Treasury

## Schedule of Revenue Bond Coverage – Selected Discrete Component Units

Last Ten Fiscal Years
(Dollars in Thousands Except Coverage)

| | For the Fiscal Year Ended June 30, | Beginning Balance | Gross Revenues | Operating Expenses (2) | Net Available for Debt Service | Debt Service Requirements (1) | Coverage |
|---|---|---|---|---|---|---|---|
| **Virginia Housing Development Authority** | 2005 | $ 1,542,876 | $ 529,709 | $ 171,149 | $ 1,901,436 | $ 479,873 | 3.96 |
| | 2004 | 1,442,815 | 517,161 | 172,283 | 1,787,693 | 479,873 | 3.73 |
| | 2003 | 1,344,010 | 575,765 | 230,658 | 1,689,117 | 682,960 | 2.47 |
| | 2002 | 1,226,927 | 629,261 | 175,567 | 1,680,621 | 667,320 | 2.52 |
| | 2001 | 116,233 | 643,381 | 182,940 | 576,674 | 574,488 | 1.00 |
| | 2000 | 1,018,800 | 609,934 | 181,045 | 1,447,689 | 1,136,786 | 1.27 |
| | 1999 | 935,251 | 579,194 | 169,286 | 1,345,159 | 927,030 | 1.45 |
| | 1998 | 839,564 | 565,345 | 161,631 | 1,243,278 | 800,168 | 1.55 |
| | 1997 | 745,233 | 514,345 | 158,700 | 1,100,878 | 350,348 | 3.14 |
| | 1996 | 667,221 | 493,305 | 155,575 | 1,004,951 | 318,092 | 3.16 |
| **Virginia Education Loan Authority (3)** | 2005 | $ - | $ - | $ - | $ - | $ N/A | N/A |
| | 2004 | - | - | - | - | N/A | N/A |
| | 2003 | - | - | - | - | N/A | N/A |
| | 2002 | - | - | - | - | N/A | N/A |
| | 2001 | - | - | - | - | N/A | N/A |
| | 2000 | - | - | - | - | N/A | N/A |
| | 1999 | - | - | - | - | N/A | N/A |
| | 1998 | - | - | - | - | N/A | N/A |
| | 1997 | - | 769 | - | 769 | N/A | N/A |
| | 1996 | 70,259 | 16,922 | 6,576 | 80,605 | 80,532 | 1.00 |
| **Virginia Resources Authority** | 2005 | $ 920,440 | $ 123,296 | $ 5,633 | $ 1,038,103 | $ 92,566 | 11.21 |
| | 2004 | 860,174 | 119,286 | 9,836 | 969,624 | 92,566 | 10.47 |
| | 2003 | 809,006 | 106,036 | 11,683 | 903,359 | 79,143 | 11.41 |
| | 2002 | 736,410 | 129,314 | 19,959 | 845,765 | 48,737 | 17.35 |
| | 2001 | 114,700 | 56,521 | 16,322 | 154,899 | 29,786 | 5.20 |
| | 2000 | 124,894 | 142,224 | 103,441 | 163,677 | 41,055 | 3.99 |
| | 1999 | 94,809 | 110,816 | 72,926 | 132,699 | 45,259 | 2.93 |
| | 1998 | 72,478 | 117,222 | 78,950 | 110,750 | 34,885 | 3.17 |
| | 1997 | 58,481 | 85,837 | 51,443 | 92,875 | 33,915 | 2.74 |
| | 1996 | 46,209 | 97,125 | 63,584 | 79,750 | 37,189 | 2.14 |

(1) These amounts include principal, interest, and amortization expenses for all entities.
(2) These amounts exclude interest expense.
(3) The Virginia Education Loan Authority defeased all debt during fiscal year 1996.

Sources: Department of Accounts
Department of the Treasury

## Schedule of Revenue Bond Coverage – Other Section 9(d) Long-term Debt

Last Ten Fiscal Years
(Dollars in Thousands Except Coverage)

| | For the Fiscal Year Ended June 30, | Beginning Balance | Gross Revenues (1) | Operating Expenses (2) | Net Available for Debt Service | Debt Service Requirements (3) | Coverage |
|---|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | | |
| **Virginia Public Building Authority** | 2005 | $ (32,355) | $ 3,080 | $ 189,727 | $ (219,002) | $ 102,966 | (2.13) |
| (Series 1998A, 1989A, 1991A, | 2004 | 54,596 | 382 | 82,210 | (27,232) | 115,690 | (0.24) |
| 1992A-C, 1993A, 1994A, | 2003 | 43,659 | 1,126 | 51,584 | (6,799) | 116,581 | (0.06) |
| 1995, 1996A, 1997A, | 2002 | 113,494 | 2,323 | 107,733 | 8,084 | 111,814 | 0.07 |
| 1998A Refunding, 1998B, 1999A-B | 2001 | 146,024 | 8,064 | 40,278 | 113,810 | 107,385 | 1.06 |
| 2000A, and 2001A) | 2000 | 64,065 | 3,584 | 53,116 | 14,533 | 97,797 | 0.15 |
| | 1999 | 78,795 | 3,896 | 83,375 | (684) | 93,069 | (0.01) |
| | 1998 | 150,464 | 7,460 | 136,914 | 21,010 | 83,301 | 0.25 |
| | 1997 | 182,702 | 79,218 | 192,723 | 69,197 | 121,101 | 0.57 |
| | 1996 | 108,552 | 73,678 | 124,522 | 57,708 | 59,431 | 0.97 |
| **Transportation Facilities** | 2005 | $ 305,639 | $ 72,374 | $ 113,015 | $ 264,998 | $ 199,384 | 1.33 |
| Route 28, Route 58, Northern Virginia | 2004 | 659,560 | 37,082 | 321,878 | 374,764 | 197,018 | 1.90 |
| Transportation District, and Oak | 2003 | 435,922 | 35,839 | 206,478 | 265,283 | 158,095 | 1.68 |
| Grove Connector (Chesapeake) | 2002 | 533,296 | 30,073 | 281,788 | 281,581 | 102,631 | 2.74 |
| | 2001 | 287,063 | 50,125 | 201,181 | 136,007 | 86,121 | 1.58 |
| | 2000 | 156,876 | 27,412 | 133,635 | 50,653 | 77,169 | 0.66 |
| | 1999 | 283,203 | 25,066 | 156,691 | 151,578 | 60,470 | 2.51 |
| | 1998 | 345,299 | 28,042 | 129,493 | 243,848 | 57,916 | 4.21 |
| | 1997 | 236,711 | 21,169 | 104,183 | 153,697 | 56,186 | 2.74 |
| | 1996 | 177,162 | 147,547 | 110,651 | 214,058 | 45,146 | 4.74 |
| **Pocahontas Parkway Association (4)** | 2005 | $ (115,062) | $ 13,768 | $ 29,675 | $ (130,969) | $ 9,121 | (14.36) |
| (Series 1998A-D and 2001A) | 2004 | (75,338) | 11,823 | 27,505 | (91,020) | 9,121 | (9.98) |
| | 2003 | (62,755) | 9,207 | 27,104 | (80,652) | 9,121 | (8.84) |
| | 2002 | (28,271) | 5,280 | 25,023 | (48,014) | 9,129 | (5.26) |
| | 2001 | (13,052) | 9,399 | 24,618 | (28,271) | 9,152 | (3.09) |
| | 2000 | (3,259) | 13,320 | 17,385 | (7,324) | 9,287 | (0.79) |
| | 1999 | - | 18,013 | 15,544 | 2,469 | 5,728 | 0.43 |
| **Component Units:** | | | | | | | |
| **Innovative Technology Authority** | 2005 | $ 21,843 | $ 15,970 | $ 13,902 | $ 23,911 | $ 1,403 | 17.04 |
| (Series 1989 and 1997) | 2004 | 20,247 | 13,670 | 11,381 | 22,536 | 1,403 | 16.06 |
| | 2003 | 19,468 | 11,987 | 10,471 | 20,984 | 1,357 | 15.46 |
| | 2002 | 19,168 | 15,148 | 14,031 | 20,285 | 1,347 | 15.06 |
| | 2001 | 6,024 | 2,793 | - | 8,817 | 1,388 | 6.35 |
| | 2000 | 4,691 | 2,721 | - | 7,412 | 1,424 | 5.21 |
| | 1999 | 3,388 | 2,732 | - | 6,120 | 1,364 | 4.49 |
| | 1998 | 2,224 | 2,528 | - | 4,752 | 1,391 | 3.42 |
| | 1997 | 1,808 | 1,807 | - | 3,615 | 1,544 | 2.34 |
| | 1996 | 1,596 | 1,756 | - | 3,352 | 1,464 | 2.29 |
| **Virginia Port Authority** | 2005 | $ 286,740 | $ 40,312 | $ 65,927 | $ 261,125 | $ 31,320 | 8.34 |
| (Series 1992A, 1993, 1996, 1997, | 2004 | 17,521 | 70,543 | 65,732 | 22,332 | 31,320 | 0.71 |
| 1997 Refunding, 1998 Refunding | 2003 | 254,770 | 83,230 | 41,236 | 296,764 | 27,388 | 10.84 |
| 2002, and 2003) | 2002 | 250,220 | 51,566 | 38,650 | 263,136 | 20,830 | 12.63 |
| | 2001 | 52,692 | 6,407 | 49,380 | 9,719 | 21,971 | 0.44 |
| | 2000 | 67,154 | 25,160 | 49,086 | 43,228 | 17,570 | 2.46 |
| | 1999 | 93,565 | 28,677 | 66,680 | 55,562 | 15,648 | 3.55 |
| | 1998 | 130,870 | 19,434 | 59,387 | 90,917 | 21,279 | 4.27 |
| | 1997 | 40,727 | 16,498 | 68,094 | (10,869) | 15,921 | (0.68) |
| | 1996 | 42,666 | 6,633 | 35,198 | 14,101 | 16,192 | 0.87 |

(1) Gross revenues include loan principal collections.
(2) Operating expenses are exclusive of principal and interest.
(3) Includes principal and interest of revenue bonds only. It does not include debt defeasance transactions.
(4) Ten years of data not available. This is a new entity established in 1999.

Sources: Department of Accounts
Department of the Treasury

## Schedule of Bank Deposits (1)

Last Ten Years
(Dollars in Millions)

| As of June 30, | Bank Deposits |
|---|---|
| 2005 | $ 118,693 |
| 2004 | 112,995 |
| 2003 | 104,729 |
| 2002 | 93,868 |
| 2001 | 83,142 |
| 2000 | 76,059 |
| 1999 | 72,055 |
| 1998 | 71,317 |
| 1997 | 68,568 |
| 1996 | 65,061 |

(1) Includes only amounts deposited in insured commercial banks by corporations, governments, and individuals.

Source: Federal Deposit Insurance Corporation Web Site, www.fdic.gov.

## Application of Unclaimed Property Funds (1)

| Year Ending June 30, | Total Available Funds (2) | Payment of Claims | Operating Expenses | Transfers to Literary Fund |
|---|---|---|---|---|
| 2005 | $ 106,716,991 | $ 15,171,549 | $ 6,545,442 | $ 85,000,000 |
| 2004 | 65,851,717 | 12,806,689 | 3,045,028 | 50,000,000 |
| 2003 | 57,372,973 | 10,600,199 | 2,772,774 | 44,000,000 |
| 2002 | 52,232,257 | 14,079,478 | 3,152,779 | 35,000,000 |
| 2001 | 55,165,372 | 11,697,747 | 3,167,625 | 40,300,000 |
| 2000 | 43,416,355 | 14,070,772 | 3,345,583 | 26,000,000 |
| 1999 | 48,186,240 | 14,563,124 | 2,923,116 | 30,700,000 |
| 1998 | 38,533,882 | 8,202,961 | 3,330,921 | 27,000,000 |
| 1997 | 55,166,195 | 8,205,998 | 3,760,197 | 43,200,000 |
| 1996 | 33,985,781 | 5,551,113 | 2,934,668 | 25,500,000 |
| 1995 | 32,673,816 | 5,378,659 | 2,295,157 | 25,000,000 |
| 1962-1994 | 220,548,355 | 40,073,225 | 17,652,905 | 162,822,223 |
| | $ 809,849,934 | $ 160,401,514 | $ 54,926,195 | $ 594,522,223 |

(1) Under Unclaimed Property law, the Commonwealth receives abandoned securities and tangible personal property. These are not introduced into the accounting system until converted to cash. As of June 30, 2005, securities with a market value of approximately $165.0 million and 1,283 inventoried lots of unappraised tangible property were in the Treasurer's custody. The Treasurer is custodian of these items until claimed by the rightful owners or heirs, except that the Treasurer can and does periodically convert these items into cash.

(2) Total available funds represent the amount of funds available for payment of claims, operating expenses, and transfers to Literary Fund.

Source: Department of the Treasury

## Application of Escheat Receipts

Last Ten Fiscal Years
(Dollars in Thousands)

| Year Ending June 30, | Total Receipts | Expenses (1) | Transfers to Literary Fund |
|---|---|---|---|
| 2005 | $ 248,886 | $ 41,336 | $ 207,550 |
| 2004 | 10,959 | 9,382 | 1,577 |
| 2003 | 16,883 | 4,287 | 12,596 |
| 2002 | 1,595 | 4,022 | (2,427) |
| 2001 | - | 21,862 | (21,862) |
| 2000 | 192,490 | 146,156 | 46,334 |
| 1999 | 126,589 | 149,071 | (22,482) |
| 1998 | 502,972 | 460,267 | 42,705 |
| 1997 | 1,227,184 | 499,171 | 728,013 |
| 1996 | 781,712 | 868,652 | (86,940) |
| **Total** | $ 3,109,270 | $ 2,204,206 | $ 905,064 |

(1) Expenses include delinquent taxes paid to localities, refunds to original owners, heirs, or purchasers, and other expenses directly related to the escheat process.

Source: Department of the Treasury

## Schedule of Demographic Statistics

Last Ten Fiscal Years

| Fiscal Year | Population (In Thousands) (1) | Per Capita Income (2) | Public Primary and Secondary School Enrollment | Unemployment Rate |
|---|---|---|---|---|
| 2005 | 7,512 | $ 36,700 | 1,185,612 | 3.5 % |
| 2004 | 7,432 | 34,200 | 1,165,905 | 3.7 |
| 2003 | 7,275 | 34,000 | 1,156,471 | 4.0 |
| 2002 | 7,051 | 33,000 | 1,143,018 | 4.1 |
| 2001 | 6,995 | 32,600 | 1,130,446 | 2.4 |
| 2000 | 6,929 | 30,400 | 1,121,780 | 2.7 |
| 1999 | 6,858 | 28,000 | 1,110,843 | 2.8 |
| 1998 | 6,784 | 26,700 | 1,110,815 | 3.4 |
| 1997 | 6,739 | 25,400 | 1,092,090 | 4.4 |
| 1996 | 6,663 | 24,400 | 1,076,653 | 4.4 |

(1) Population figure for 2005 is estimated.
(2) Per capita income has been revised and is reflected in current dollars.

Sources: Virginia Department of Education
Virginia Department of Taxation
Virginia Employment Commission

## Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

| Fiscal Year Ended June 30, | Fund Balance: Budgetary Basis | Fund Balance: Modified Accrual Basis |
|---|---|---|
| 2005 | $ 1,865.3 | $ 1,229.0 |
| 2004 | 1,109.6 | 446.2 |
| 2003 | 554.8 | 63.6 |
| 2002 | 632.9 | (216.7) |
| 2001 | 1,194.1 | 553.8 |
| 2000 | 1,855.3 | 1,374.6 |
| 1999 | 1,599.6 | 1,173.7 |
| 1998 | 1,444.2 | 1,011.4 |
| 1997 | 937.2 | 491.8 |
| 1996 | 476.3 | 180.4 |

Source: Department of Accounts

## Schedule of Miscellaneous Statistics

June 30, 2005

| | |
|---|---|
| Adoption of Virginia Constitution | 1776 |
| Form of Government | Legislative, Executive, Judicial |
| Land Area (square miles) | 40,767 |
| Miles of State Highways | 69,054 |
| State Police Protection: | |
| Number of Stations | 66 |
| Number of Officers | 1,869 |
| Higher Education (Universities, Colleges, and Community Colleges): | |
| Number of Separate Institutions | 101 |
| Number of Faculty | 16,033 |
| Number of Students | 401,945 |
| Recreation: | |
| Number of State Parks, Natural Areas, and Historic Sites | 84 |
| Area of State Parks, Natural Areas, and Historic Sites (acres) | 103,140 |
| Number of State Forests | 16 |
| Area of State Forests (acres) | 47,739 |
| Classified State Employees | 82,257 |

Sources: Virginia Department of Conservation and Recreation, Division of Parks and Recreation
Virginia Department of Forestry
Virginia Department of Human Resource Management
Virginia Department of State Police
Virginia Department of Transportation
Library of Virginia
State Council of Higher Education

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Marianne P. Madison, Senior Accountant
Financial Reporting, Virginia Department of Accounts

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