

VIRGINIA FINANCIAL PERSPECTIVE

A REPORT TO THE CITIZENS OF THE COMMONWEALTH FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Prepared by the Department of Accounts
December 31, 2002

Mark R. Warner
Governor

John M. Bennett
Secretary of Finance

David A. Von Moll
Comptroller

EXECUTIVE SUMMARY - PURPOSE OF THIS REPORT

The purpose of this report is to summarize and simplify the presentation of information contained in the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Virginia. The Commonwealth's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and are independently audited by the Auditor of Public Accounts. Much of the information in the audited financial statements is necessarily technical and complex. As a result, the full financial statements may not be particularly useful to the citizens of the Commonwealth who wish to better understand state government finances.

Eleven years ago, Virginia began issuing simplified financial reports, commonly referred to as *popular reports*. These reports are intended to better inform the public about their government's financial condition, without excessive detail or the use of technical accounting terms.

This report summarizes and explains the information contained in the financial statements for fiscal year 2002, along with other information on the Commonwealth's finances, in easily understood terms. This report represents the ongoing commitment of Commonwealth officials to keep Virginia's citizens informed about state finances, and to be accountable in all respects for the receipt and expenditure of public funds.

INDEX

	<u>Page</u>
Executive Summary	1
Virginia's Economy	2
Financial Statement Information	3
Commonwealth Statement of Net Assets	4
Commonwealth Statement of Activities	5
General Fund	6
Commonwealth Transportation Fund	8
College Savings Plan Fund	9
The University of Virginia Component Unit Fund	9
Pension Trust Fund	9
State Lottery	10
Alcoholic Beverage Control	11
Risk Management Program	11
Debt Administration	11
Other Information	12
Prompt Payment	13
Payment Systems	13
Personal Property Tax Relief	14
Certificate of Achievement	14
Organization of Government	15

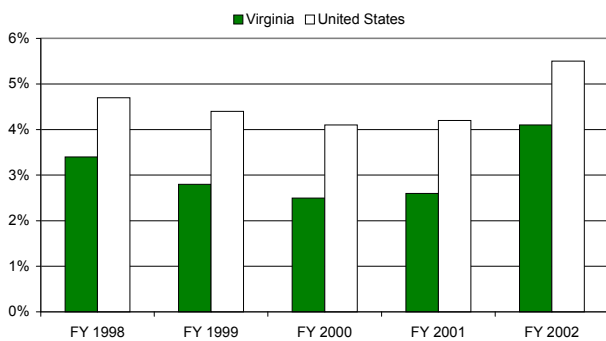
Virginia's Economy

Each year the CAFR includes a section describing the Commonwealth's economic outlook. For fiscal year (FY) 2002, an economist at the University of Virginia's Weldon Cooper Center for Public Service prepared this review of the Virginia economy. Most of the analysis is based on measures of the past six fiscal years with emphasis on last year. According to the National Bureau of Economic Research, a record breaking 120-month expansion peaked in March 2001, three months before the beginning of FY 2002. That meant the fiscal year began in the midst of an economic contraction.

FY 2002 saw the continuation of a major bear market in stocks that was particularly hard on telecommunications and other leaders in the so-called new economy. In addition, there were the terrorist attacks of September 11. Northern Virginia was adversely affected by the closing of Reagan National Airport for 23 days and the delay in returning to full operation until mid-April 2002. FY 2002 was especially difficult for Virginia state government tax revenue because of reduced realized capital gains and a decline in business travel and tourism associated with September 11.

Employment and income are the two broad economic measures that give the best picture of major developments. Unemployment increased by 1.5 percent in FY 2002. Persons without work constituted 4.1 percent of the labor force (**Figure 1**).

Unemployment Rate
Figure 1



Virginia's unemployment was moderate by national standards, but sharply higher than the 2.6 percent of the previous year.

Figure 2 shows the decline of Virginia's nonagricultural employment as well as personal income growth data. In FY 2002, growth of personal income slowed to 2.5 percent, slightly above the U.S. average.

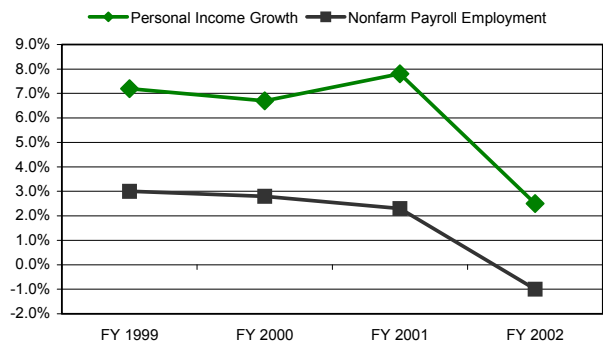
According to estimates for calendar year 2001, Virginians had a per capita income of \$32,431, an amount 106.4 percent of the national average and providing the state a

rank of twelfth from the top among the fifty states. In 1996, the relationship to the national average was 103.7 percent, and the state ranked fifteenth. Among its neighbors, Virginia's per capita income exceeded incomes in North Carolina, Tennessee, Kentucky, and West Virginia, but was lower than incomes in the District of Columbia and Maryland.

In FY 2002 Virginia's nonfarm payroll employment fell by 35,100. Virginia's decline in total employment of 1.0 percent was slightly worse than the national average of 0.8 percent. This was only the second time in the past five fiscal years that Virginia underperformed the nation.

Economic Indicator Growth Rates

Figure 2



An important sector with declining employment was the federal civilian government. Its Virginia payroll dropped by 3,600. For a number of years the federal government has been using private contractors to carry out functions previously performed by federal employees. Thus, at least part of the decline probably was offset by gains in private service employment attributable to federal contracts.

Federal contracts are a major driver for the Virginia economy. In federal fiscal year 2001, which ended in September 2001, the state accounted for 10.9 percent of federal contract awards. On a per capita basis, it ranked second in the nation. Only the District of Columbia had a higher amount. Virginia's federal contracts are concentrated in Northern Virginia and Hampton Roads. The value of contracts fluctuates from year to year primarily because of the long lead-time for military hardware. In FY 2001 federal prime contracts in Virginia rose by 26 percent.

Virginia's population in calendar year 2001 was 7.2 million, according to estimates by the Census Bureau. Its population growth was 1.2 percent versus 0.9 percent for the nation. Within the state, the fastest growth was in the Northern Virginia MSA (the Virginia portion of the Washington, DC-MD-VA-WV MSA). That area now accounts for nearly one-third of the population.

FINANCIAL STATEMENT INFORMATION

This section contains Financial Statement Information for the Commonwealth of Virginia for the fiscal year ending June 30, 2002.

Virginia state government reports on its finances on the basis of a *fiscal year* which starts on July 1 and ends the following June 30. All information presented in this report is for the fiscal year that began on July 1, 2001, and ended on June 30, 2002. This is referred to as fiscal year 2002, or FY 2002.

Virginia's financial information is prepared by the Department of Accounts, an executive branch agency, under the direction of the Governor and the Secretary of Finance. The information is then audited by the Auditor of Public Accounts, who is an official of the legislative branch of government. In this way, the audit process is independent. The financial information for FY 2002 was audited and received an unqualified auditor's opinion.

Virginia implemented the new reporting standard, GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during FY 2002. GASB Statement No. 34 requires the inclusion of infrastructure, such as highways and bridges, and the use of full accrual accounting in the Government-wide Statements.

Virginia accounts for its financial operations in government-wide financial statements and fund financial statements. The government-wide financial statements 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, and are prepared on a full accrual basis of accounting, which means that all revenue and expenditures are reflected even if the cash was not received or paid as of June 30, 2002. The fund statements are divided into three categories, governmental, proprietary, and fiduciary. The governmental funds are reported on a modified accrual basis of accounting which focuses on assets that can readily be converted to cash. The proprietary funds account for activities that operate like private sector business and use the full accrual basis of accounting. The fiduciary funds account for resources held for the benefit of parties outside the government. These also use the full accrual basis of accounting. These fiduciary funds are not included in the government-wide financial statements because they cannot be used to finance the Commonwealth's operations.

Virginia accounts for its revenues and expenditures within various funds. The funds are groups of related accounts that are segregated for specific activities or objectives. The largest fund supporting the operation of state government is the General Fund, which accounts for the majority of receipts from income and sales taxes. Another

important fund is the Commonwealth Transportation Fund, which derives its revenues from gasoline taxes, vehicle registration fees, and a portion of sales taxes. A third fund is the Pension Trust Fund, which includes the assets of the state employees' pension system.

Virginia accounts for its revenues and expenditures under two different methods of accounting. The Virginia Constitution and laws passed by the General Assembly require that all accounting be on a *cash basis*. This means that revenue is recognized when cash is received and expenditures are recognized when cash is paid out. Cash basis accounting is simple and easily verified. It is, therefore, the best way to demonstrate that state agencies are complying with laws that govern spending.

The other method of accounting used in Virginia involves the application of *accounting principles generally accepted in the United States of America*, or *GAAP*. GAAP is defined by national standard setting bodies, and is the method of accounting required when Virginia sells bonds. Only financial information prepared on a GAAP basis can be audited in accordance with accepted practice and receive an unqualified opinion from the Auditor of Public Accounts.

Information is presented in this report on the GAAP basis of accounting, and also, for the general fund, on the budgetary (cash) basis. Labels have been used to note which basis of accounting is being shown.

This Popular Report contains information from only selected funds and account groups and does not include all of the State's component units. Component units are legally separate entities that are accountable to the State. Only the Statement of Net Assets and Statement of Activities on pages 4 and 5 includes all of the State's funds and component units.

The full financial statements of the Commonwealth of Virginia, together with other economic and demographic information, are published in Virginia's Comprehensive Annual Financial Report, or CAFR. Requests for copies of the CAFR should be directed to the address given on the last page of this report.

Commonwealth Statement of Net Assets and Statement of Activities - GAAP Basis

A *Statement of Net Assets* summarizes all of the assets and liabilities with the difference between the two reported as net assets. As of the end of FY 2002, Virginia had Primary Government *assets* (i.e., cash, investments, property and amounts owed to the state) on a GAAP basis of \$20.1 billion, and Component Unit assets of \$22.1 billion. These assets were partially offset by Primary Government liabilities (i.e., amounts owed by the state to others) of \$8.8 billion, and Component Unit liabilities of \$13.5 billion. This left state government with Primary Government net assets (the amount left after liabilities are subtracted from assets) of \$11.3 billion, and Component Unit net assets of \$8.6 billion. **Figure 3** is a condensed Statement of Net Assets for the Commonwealth as of June 30, 2002.

The Statement of Activities (**Figure 4**) summarizes information showing how the State's net assets changed, on a GAAP basis, during the fiscal year. Virginia recognized \$10.1 billion in program revenues and \$12.4 billion in general revenues, which was used to pay for \$22.6 billion of expenses in the primary government. Virginia's component units reported \$4.9 billion of program revenues and \$2.1 billion of general revenues, which was used to pay \$6.6 billion of expenses.

Although the total equity of Virginia is substantial and confirms the overall financial health of the Commonwealth, it is equally important to look at the financial condition of some of the individual *funds*.

Statement of Net Assets (GAAP Basis)
As of June 30, 2002

(Dollars in Millions)

Figure 3

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Current and Other Assets	\$ 4,921	\$ 2,435	\$ 7,356	\$ 16,889
Capital Assets	12,377	353	12,730	5,229
Total Assets	<u>17,298</u>	<u>2,788</u>	<u>20,086</u>	<u>22,118</u>
Long-Term Liabilities	3,922	1,683	5,605	11,753
Other Liabilities	2,925	289	3,214	1,727
Total Liabilities	<u>6,847</u>	<u>1,972</u>	<u>8,819</u>	<u>13,480</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	9,152	23	9,175	3,687
Restricted	1,433	900	2,333	3,702
Unrestricted	(134)	(107)	(241)	1,249
Total Net Assets	<u>\$ 10,451</u>	<u>\$ 816</u>	<u>\$ 11,267</u>	<u>\$ 8,638</u>

Note: Since the Commonwealth implemented GASB Statement No. 34 during FY 2002, prior year information is not available.

Statement of Activities (GAAP Basis)
For the Fiscal Year Ended June 30, 2002

(Dollars in Millions)

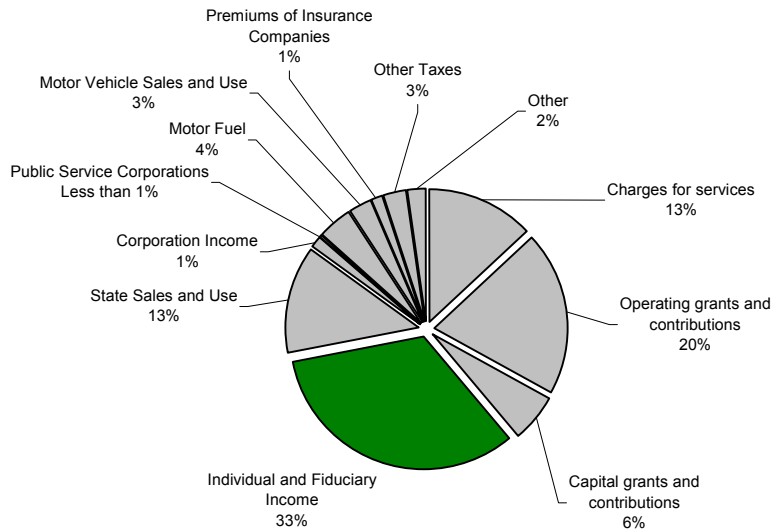
Figure 4

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Program Revenues:				
Charges for Services	\$ 2,672	\$ 1,948	\$ 4,620	\$ 3,659
Operating Grants and Contributions	3,998	278	4,276	1,107
Capital Grants and Contributions	1,189	-	1,189	95
	<u>7,859</u>	<u>2,226</u>	<u>10,085</u>	<u>4,861</u>
Expenses	20,441	2,160	22,601	6,622
Net (Expenses) Revenues	(12,582)	66	(12,516)	(1,761)
General Revenues	12,820	(405)	12,415	2,069
Change in Net Assets	<u>\$ 238</u>	<u>\$ (339)</u>	<u>\$ (101)</u>	<u>\$ 308</u>

Governmental Activities Revenues

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

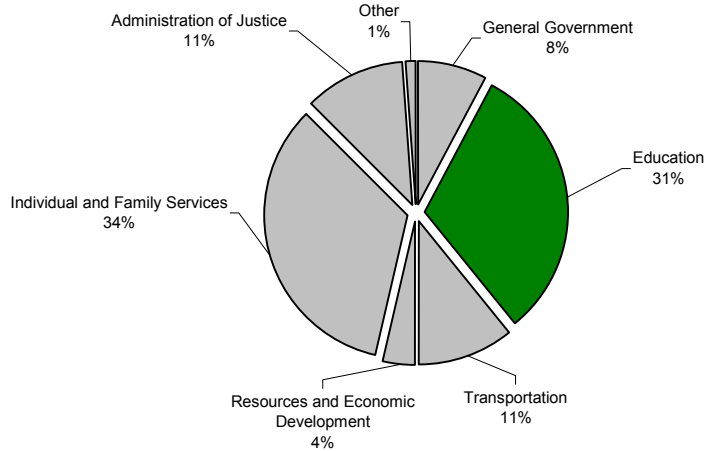
Figure 5
**Revenues by Source – Governmental Activities
FY 2002**



Governmental Activities Expenses

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

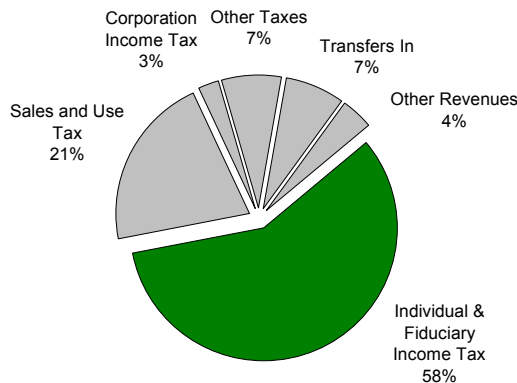
Figure 6
**Expenditures by Type – Governmental Activities
 FY 2002**



General Fund – Cash Basis

During FY 2002 the General Fund received \$11.6 billion in resources. **Figure 7** illustrates the various revenue sources. Individual and fiduciary income taxes accounted for 58 percent of the resources, while sales and use taxes made up 21 percent. These revenues plus other revenues totaled \$10.7 billion, or 93 percent. The remaining monies totaling \$820 million came through transfers from other funds, including alcoholic beverage sales and lottery profits.

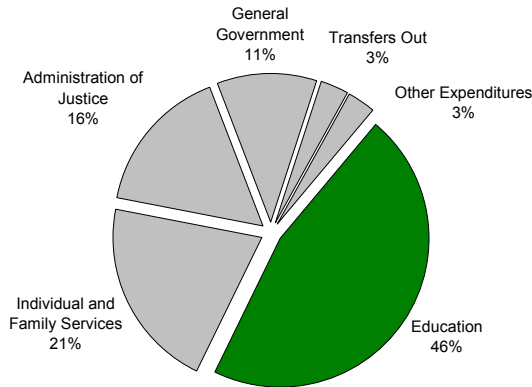
Figure 7
**General Fund Revenue
 FY 2002, Cash Basis**



Revenues (not including transfers) decreased by \$418 million from FY 2001. Individual and fiduciary income tax revenues, which fell by 7 percent compared to last year, played the major role in this decline.

General Fund disbursements, including transfers, for FY 2002 (**Figure 8**) totaled \$12.1 billion. Expenditures totaled \$11.7 billion and transfers to other funds were \$384 million. Education accounted for 46 percent including direct state aid for primary and secondary schools and General Fund transfers to support state colleges and universities. Support for social services, Medicaid, public health, and mental health consumed 21 percent of the General Fund. Public safety disbursed 16 percent, while only 11 percent was used to support the administration of general governmental operations. It should be noted that 61 percent, or \$826.2 million, of the total general government amount includes payments to localities to offset state-mandated reductions in local personal property tax rates.

Figure 8
General Fund Disbursements
FY 2002, Cash Basis



Expenditures (not including transfers) increased by \$1.8 billion over the prior year. Of the total increase, education accounted for 76 percent, and general government for 16 percent. Personal property tax relief payments accounted for 78 percent of the general government increase.

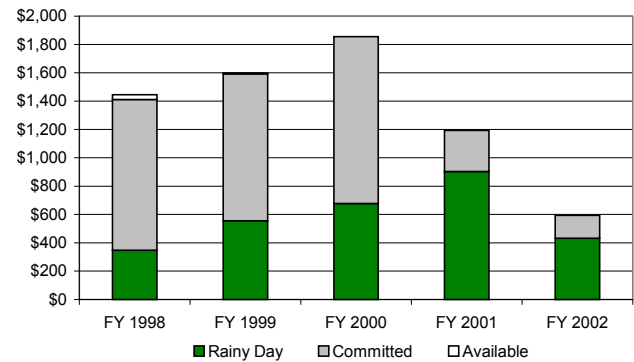
General Fund expenditures and net transfers exceeded revenues by \$561 million on the cash basis. In other words, the General Fund had an operating loss for the year on the cash basis, caused in part by an economic slowdown.

Figure 9 shows the General Fund balance - cash basis - at the end of each year since 1998. Virginia's General Fund balance at the end of FY 1998 was \$1,444.2 million. FY 1999's and FY 2000's continuing strong economy brought the balance to \$1,599.6 million and \$1,855.3 million, respectively. The FY 2001 economic slowdown contributed towards a reduction in the General Fund balance to \$1,194.1 million. The continued slowdown reduced the balance to \$632.9 million in FY 2002.

General Fund Balance - Cash Basis
Highlighting the Available Fund Balance

(Dollars in Millions)

Figure 9



These balances are made up of “committed” funds, “available” funds, and the “rainy day” fund.

Balances are “committed” if there are plans in place for their use. “Available” balances may be used by the Governor and General Assembly for new projects or programs. At the end of FY 2002, as at the end of FY 2001 there was no available balance.

The "rainy day" fund, or Revenue Stabilization Fund, is required by an amendment to the State Constitution, which was approved by the voters on November 7, 1992. The General Assembly is required to appropriate additional reserves to this fund when revenue collections are strong compared to the average for the previous six years. This reserved portion of the General Fund balance can only be used if state revenues decline sharply from the previous year.

The total amount reserved in the Revenue Stabilization Fund for FY 2002 is \$472.4 million. It is made up of \$79.9 million from 1993 collections, \$66.6 million from 1995 collections, \$58.3 from 1996 collections, \$123.8 million from 1997 collections, \$194.1 million from 1998 collections, \$103.3 million from 1999 collections, \$187.1 million from FY 2000 collections, and \$127.0 million in interest. A transfer of \$467.7 million was made from the Revenue Stabilization Fund into the General Fund in FY 2002. Collections for FY 1994 and FY 2001 did not require a contribution and a contribution is not required for FY 2002.

Statement of Changes in Plan Net Assets
Pension Trust Fund - GAAP Basis
For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Figure 13

Additions:	
Contributions	\$ 1,227,134
Investment Income:	
Interest, Dividends, and Other	
Investment Income	<u>(2,671,963)</u>
Less Investment Expenses	<u>162,591</u>
Net Investment Income	<u>(2,834,554)</u>
Other Revenue	<u>286</u>
Total Additions	<u>(1,607,134)</u>
Deductions:	
Retirement Benefits	1,438,359
Refunds to Former Members	73,451
Retiree Health Insurance Credits	57,590
Insurance Premiums and Claims	95,625
Administrative Expenses	16,963
Other Expenses	<u>14,225</u>
Total Deductions	<u>1,696,213</u>
Net Increase (Decrease)	(3,303,347)
Net Assets, July 1	<u>37,733,077</u>
Net Assets, June 30	<u>\$ 34,429,730</u>

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

Virtually all pension systems experience some gap between the amount that has been contributed and the amount that will be required to honor all promised benefits to both current and future retirees. This gap arises when benefits are added to the plan, and can also be produced by differences between the assumptions that are made in financing the trust fund and actual experience.

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

Employer contributions made for FY 2002 totaled \$107.6 million. This was less than the actuarially determined Annual Required Contribution of \$262.2 million, but did meet statutory requirements. The State has elected to allow employer contributions to include an annual amount that would phase in automatic cost of living adjustment funding requirements over a five-year period ending with FY 2002. When compared to other plans similar to Virginia's, the funding statistics indicate that Virginia's plans are adequately funded and financially sound. The

pension obligation is included in the calculations of future state contribution rates so that a portion of this obligation is paid off each year.

State Lottery Fund - GAAP Basis

The lottery fund (**Figure 14**) accounts for all receipts and disbursements from the sale of lottery tickets for various games.

During FY 2002, the Lottery had revenues of \$1.1 billion and expenses, including lottery prize payments, of \$742 million. Non-operating income for the year, including interest earnings, was \$377 million. During FY 2002, \$377 million was transferred out to be spent for public education as required by law.

Revenues, Expenses and Changes in
Fund Net Assets
State Lottery - GAAP Basis
For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Figure 14

Operating Revenues:	
Charges for Sales and Services	\$ 1,108,068
Total Operating Revenue	<u>1,108,068</u>
Operating Expenses:	
Personal Services	19,330
Contractual Services	34,792
Supplies and Materials	2,226
Depreciation	5,861
Lottery Prize Expense	673,771
Other Expenses	<u>5,860</u>
Total Operating Expenses	<u>741,840</u>
Operating Income	<u>366,228</u>
Nonoperating Revenues:	
Interest, Dividends, and Rents	10,091
Other	<u>210</u>
Total Nonoperating Revenues	<u>10,301</u>
Income Before Transfers and Changes	376,529
Operating Transfers Out	<u>(376,889)</u>
Change in Net Assets	(360)
Total Net Assets, July 1	<u>(1,029)</u>
Total Net Assets, June 30	<u>\$ (1,389)</u>

Alcoholic Beverage Control Fund - GAAP Basis

The "ABC" fund accounts for the receipts and disbursements from the sale of alcoholic beverages. In FY 2002, ABC profits of \$46 million were distributed to the General Fund to use for current operations and for alcohol treatment and rehabilitation programs. Total ABC operating income for FY 2002 was \$44 million on \$361 million in total sales.

Risk Management (Self-Insurance) Program - GAAP Basis

The Commonwealth is "self-insured" for workers' compensation, property damage, general (tort) liability, medical malpractice and automobile insurance coverage. At the end of FY 2002, the self-insurance program had cash and other assets of \$95 million, while the estimated liability for claims payable was \$178 million. The program had additional liabilities of \$34 million, which resulted in a GAAP deficit balance of \$118 million.

The self-insurance program remains solvent because additional cash is constantly being provided from premiums paid by state agencies.

Debt Administration

The total outstanding debt on the books of the Commonwealth as of the end of FY 2002 was \$17.4 billion (Figure 15). Debt on the books of the Commonwealth can be classified into three categories:

- 1) general obligation bonds of Virginia taxpayers,
- 2) limited obligations, which may use tax revenue to pay principal and interest (Other Tax Supported); and
- 3) debt issued by state-created authorities and institutions of higher education, which is not an obligation of Virginia taxpayers and does not use tax revenues (Non-Tax Supported).

As illustrated in Figure 15, a total of \$956 million, or 5.5 percent of all debt, is a general obligation of Virginia taxpayers and supported by a pledge of all tax revenues and other monies of the Commonwealth. This kind of pledge is also referred to as "full faith and credit" debt. General obligation debt is issued as provided for in the State Constitution.

The next category of debt, limited obligations which may use tax revenue, does not carry the "full faith and credit" of the Commonwealth, but does use certain tax revenues, in whole or in part, to pay principal and interest. Examples of other tax supported debt include certain bonds issued by the Virginia Port Authority to improve Virginia ports, most highway construction bonds, bonds issued to construct state office buildings, hospitals and prisons, and capital leases and installment purchase contracts entered into by state agencies and institutions of higher education. A total of \$3.9 billion of this type of tax

supported debt was outstanding at the end of FY 2002. This is 22.5 percent of all debt on the books of the Commonwealth.

Non-Tax Supported Debt makes up 72.0 percent of all debt in the Commonwealth. The majority of this debt is issued by various authorities that are created under state law to issue bonds to finance programs considered to provide a benefit to the public. Total debt in this category at the end of FY 2002 was \$12.5 billion.

**State Debt/Obligations
Tax Supported and Non-Tax Supported
As of June 30, 2002**

(Dollars in Thousands)

Figure 15

Tax-Supported Debt/Obligations		
General Obligation Bonds		
Public Facilities Bonds	\$ 399,005	2.2%
Parking Facilities Bonds	9,605	0.1%
Transportation Facilities Bonds	170,687	1.0%
Higher Education Bonds	376,462	2.2%
Total General Obligation Bonds	<u>955,759</u>	<u>5.5%</u>
Other Tax-Supported Debt/Obligations		
Transportation	1,056,225	6.2%
Virginia Port Authority	94,060	0.5%
Virginia Public Building Authority	958,141	5.5%
Innovative Technology Authority	10,590	0.1%
Virginia College Building Authority	354,890	2.0%
Long-Term Capital Lease Payable	248,075	1.4%
Compensated Absences Obligations	489,575	2.8%
Pension Liability Obligations	439,372	2.5%
Biotechnology Research Park	87,245	0.5%
Regional Jail Construction	28,974	0.2%
Installment Purchase	55,529	0.3%
Other Long-Term Debt/Obligations	89,209	0.5%
Total Other	<u>3,911,885</u>	<u>22.5%</u>
Total Tax-Supported Debt/Obligations	<u>4,867,644</u>	<u>28.0%</u>
Non-Tax Supported Debt/Obligations		
Higher Education	421,125	2.4%
Virginia Housing Development Authority	6,056,542	35.0%
Pocahontas Parkway Association	418,850	2.4%
Virginia Public School Authority	2,090,485	12.0%
Virginia Resources Authority	758,573	4.4%
Other Long-Term Debt/Obligations	2,744,106	15.8%
Total Non-Tax Supported Debt/Obligations	<u>12,489,681</u>	<u>72.0%</u>
Total Commonwealth Debt/Obligations	<u>\$ 17,357,325</u>	<u>100.0%</u>

The largest of these authorities is the Virginia Housing Development Authority, which has \$6.1 billion in debt outstanding secured by various mortgages. Other issuers include the Virginia Public School Authority, Pocahontas Parkway Association, and the Virginia Resources Authority. Colleges and teaching hospitals also issue bonds secured only by fees paid for services. These bonds do not use state taxes to pay principal and interest.

Prompt Payment

State government places a significant emphasis on ensuring that vendors doing business with state agencies are paid within the time specified in the purchase contract. Payment performance is monitored monthly and payments that are overdue more than seven days entitle vendors to collect interest. Agencies must achieve a 95 percent compliance rate with all payment provisions in order to be considered in compliance with the Virginia Prompt Payment Act.

Figure 17 shows that for FY 2002, the state made 98.1 percent of its payments on time, and that 93.8 percent of the dollars owed were paid in compliance with prompt payment requirements. The state paid out \$21,129 in interest on late payments during FY 2002, an improvement of \$54,552 from FY 2001, on total vendor payments of \$4.4 billion.

Figure 17

Statewide Prompt Payment Statistics For FY 2002

Number of Late Payments	48,460
Total Number of Payments	2,548,960
Late Dollars (in Thousands)	\$ 270,832
Total Dollars (in Thousands)	\$ 4,393,522
Interest Paid	\$ 21,129
Percent of Payments in Compliance	98.1%
Percent of Dollars in Compliance	93.8%

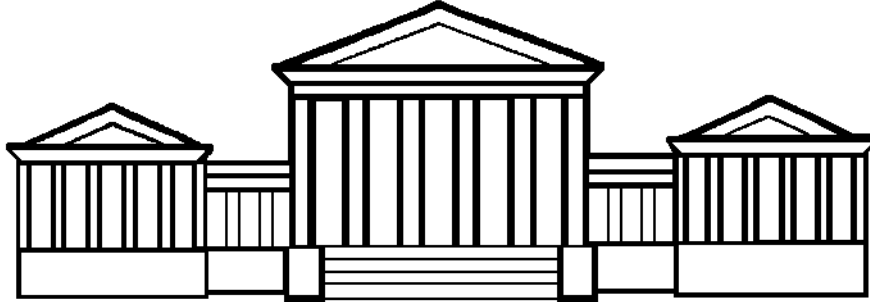
E-Commerce and Payment Systems

Virginia actively pursues administrative efficiencies and cost savings by promoting use of automated payment systems by state agencies. To reduce the number of state issued checks, Virginia uses Financial Electronic Data Interchange (EDI), also known as electronic banking, and Payroll Direct Deposit. To consolidate payments for low dollar purchases the state uses the Small Purchase Charge Card.

Approximately 78,715 payments totaling \$15.9 billion were made in FY 2002 using EDI. This helped to avoid the issuance of approximately 168,423 checks. Electronic payments were made to over 4,600 grantees, vendors and localities.

Also in FY 2002, approximately \$143.7 million in small purchases (those \$5,000 or less) were made using the small purchase charge card program. This helped to avoid another 421,261 checks. As of June 30, 2002, 192 agencies were using 10,327 cards.

Further efforts to reduce the amount of resources consumed are made by using electronic systems for payroll payments. These include the elimination of paychecks for Commonwealth employees who are paid through direct deposit to their bank accounts. As of June 30, 2002, 85 percent of salaried employees participated in the direct deposit program, and 41 percent of wage employees took part in Direct Deposit.



For additional copies of this report,
or for copies of the *Comprehensive Annual Financial Report*, contact:

Virginia Department of Accounts
Financial Reporting
101 N. 14th Street, 3rd Floor
Richmond, Virginia 23219-3684
Voice: (804) 225-3102
E-mail: finrept@doa.virginia.gov

If you would like to see the electronic version of this report,
please visit www.doa.virginia.gov

For more information on Virginia's government,
please visit www.virginia.gov

*This report was prepared by staff of the
Virginia Department of Accounts
and was
printed at a cost of 13.5 cents per copy.*