

A REPORT TO THE CITIZENS OF THE COMMONWEALTH

Virginia Financial Perspective

For the Fiscal Year Ended June 30, 2004



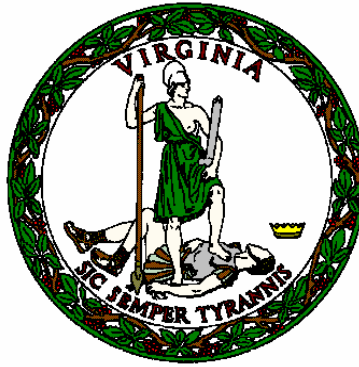
Mark R. Warner
Governor

John M. Bennett
Secretary of Finance

David A. Von Moll
Comptroller

December 15, 2004

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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.

Thirteen 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 2004, 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.

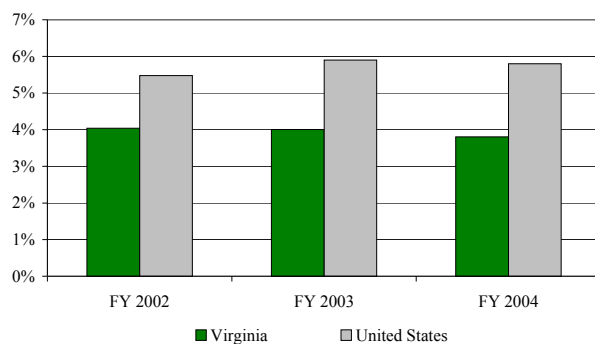
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Virginia's Economy

Each year the CAFR includes a section describing the Commonwealth's economic outlook. For fiscal year (FY) 2004, economists at Virginia Commonwealth University's Center for Urban Development (Center) prepared this economic highlight section. Fiscal year 2004 has been an exceptional fiscal year for the Virginia economy. Continuing the growth that began in FY 2003, the Commonwealth's economy is expanding at a vigorous pace. Several economic indicators, including wages and salaries, personal income, new privately owned housing units authorized, and retail sales, have accelerated in their growth during FY 2004. Employment levels have increased, and unemployment is on a downward trend.

Employment and income are the two broad economic measures that give the best picture of major developments. Unemployment decreased by 0.3 percent in FY 2004. Persons without work constituted 3.8 percent of the labor force (**Figure 1**).

Figure 1
Unemployment Rate



Source: Bureau of Labor Statistics

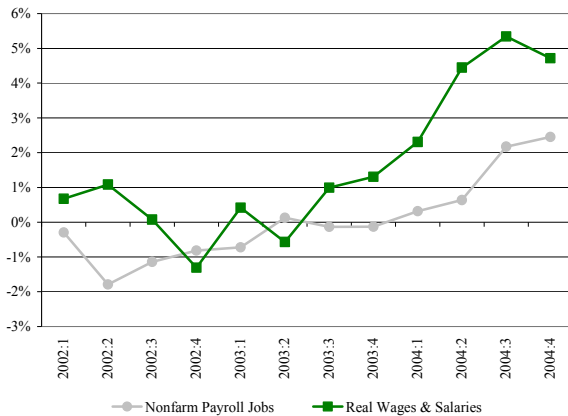
Virginia's unemployment rate was two percentage points lower than the national average.

Figure 2 shows that Virginia's total nonfarm employment in FY 2004 increased by 1.4 percent in comparison to FY 2003. Year-over-year quarterly real wage and salary growth accelerated in FY 2004 (the fourth quarter fiscal year 2004 has been forecasted by the Center). The year-over-year quarterly growth in real wages and salaries, which began in the latter half of FY 2003, continued through each quarter in FY 2004. The four quarters of positive year-over-year quarterly growth rates in FY 2004 further shows that Virginia's economy is on strong footing, and has rebounded from the declines of the previous two fiscal years.

Virginia's average pay per job in FY 2004 was \$42,180. This is over \$2,500 more than the national average of \$39,676. The sectors with higher incomes are information, government, and professional and business services. The information and financial activities sectors recorded the largest percentage increase in wages and salaries per job in FY 2004.

Virginia's personal income is estimated to surpass \$257 billion in FY 2004 (the fourth quarter has been estimated by the Center). As shown in **Figure 3**, this is a 5.9 percent increase over FY 2003. Total wages and salaries comprised about 58 percent of personal income and increased 6.1 percent during FY 2004. For the last three fiscal years, Virginia's personal income and wages and salaries grew at a faster pace than the United States. Further, adjusting for inflation, Virginia's growth in real personal income (4.0 percent) and real wages and salaries (4.2 percent) surpassed the Nation's growth of 2.7 percent and 1.8 percent, respectively.

Figure 2
Economic Indicator Growth Rates



Source: Bureau of Labor Statistics and Bureau of Economic Analysis

Figure 3
Personal Income
(Dollars in Millions)

	FY 2004	Annual Growth Rates		
		FY 2002	FY 2003	FY 2004
Virginia Personal Income	\$257,437	3.3%	3.2%	5.9%
Virginia Wages and Salaries	\$150,000	1.7%	2.4%	6.1%
United States Personal Income		2.3%	2.6%	4.6%
United States Wages and Salaries		0.6%	1.4%	3.7%
Inflation, PCE Chain-Type Index		1.5%	1.9%	1.9%
Virginia Real Personal Income		1.8%	1.3%	4.0%
Virginia Real Wages and Salaries		0.1%	0.5%	4.2%
United States Real Personal Income		0.7%	0.7%	2.7%
United States Real Wages and Salaries		-0.9%	-0.4%	1.8%

Sources: Bureau of Labor Statistics and Bureau of Economic Analysis

FINANCIAL STATEMENT INFORMATION

This section contains Financial Statement Information for the Commonwealth of Virginia for the fiscal year ending June 30, 2004.

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, 2003, and ended on June 30, 2004. This is referred to as fiscal year 2004, or FY 2004.

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 2004 was audited and received an unqualified auditor's opinion.

Virginia capital assets include 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, 2004. 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 accounts and does not include all of the State's component units. Component units are legally separate entities that are accountable to the State. Some examples of component units are the public higher education institutions. Only the Statement of Net Assets and Statement of Activities on page 4 include 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 2004, Virginia had Primary Government *assets* (i.e., cash, investments, property and amounts owed to the state) on a GAAP basis of \$23.1 billion, and Component Unit assets of \$26.4 billion. These assets were partially offset by Primary Government liabilities (i.e., amounts owed by the state to others) of \$10.3 billion, and Component Unit liabilities of \$13.7 billion. This left state government with Primary Government net assets (the amount left after liabilities are subtracted from assets) of \$12.7 billion, and Component Unit net assets of \$12.7 billion. **Figure 4** is a condensed Statement of Net Assets for the Commonwealth as of June 30, 2004.

The Statement of Activities (**Figure 5**) summarizes information showing how the State's net assets changed, on a GAAP basis, during the fiscal year. Virginia recognized \$10.5 billion in program revenues and \$13.9 billion in general revenues, which was used to pay for \$23.2 billion of expenses in the primary government. Virginia's component units reported \$6.2 billion of program revenues and \$2.6 billion of general revenues, which was used to pay \$7.7 billion of expenses. Program revenues are receipts that can be identified with specific expenses and are used to reduce those 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*. Governmental activities represent activities associated with the taxes and fees charged by most state agencies. Business-type activities are those like the State Lottery that operate like a business.

Figure 4
Statement of Net Assets (GAAP Basis)
As of June 30, 2004

(Dollars in Millions)

	Primary Government			FY 2003 Total (Informational Only)	Component Units	
	Governmental Activities	Business-type Activities	Total		Total	FY 2003 Total (Informational Only)
Current and Other Assets	\$ 6,373	\$ 2,339	\$ 8,712	\$ 7,553	\$ 19,898	\$ 16,811
Capital Assets	14,018	345	14,363	13,612	6,474	5,493
Total Assets	20,391	2,684	23,075	21,164	26,372	22,304
Long-Term Liabilities	4,438	2,035	6,473	6,676	11,604	11,106
Other Liabilities	3,401	464	3,865	2,938	2,075	2,101
Total Liabilities	7,839	2,499	10,338	9,614	13,679	13,207
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	11,097	22	11,119	10,088	4,251	3,825
Restricted	857	412	1,269	1,321	6,673	3,997
Unrestricted	598	(250)	348	141	1,769	1,275
Total Net Assets	\$ 12,552	\$ 184	\$ 12,736	\$ 11,550	\$ 12,693	\$ 9,097

Figure 5
Statement of Activities (GAAP Basis)
 For the Fiscal Year Ended June 30, 2004

(Dollars in Millions)

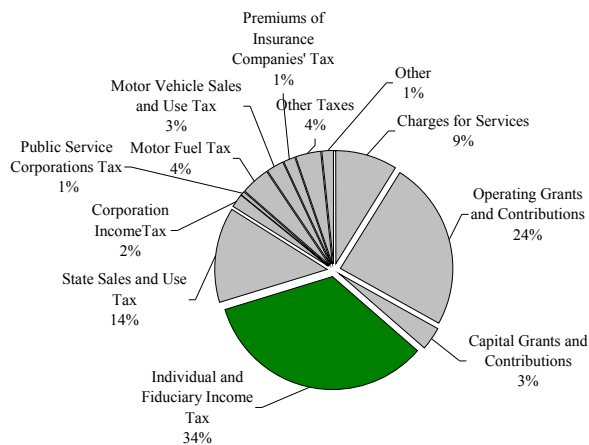
	Primary Government			FY 2003 Total (Informational Only)	Component Units	
	Governmental Activities	Business-type Activities	Total		Total	FY 2003 Total (Informational Only)
Program Revenues:						
Charges for Services	\$ 1,935	\$ 2,507	\$ 4,442	\$ 4,104	\$ 4,651	\$ 4,057
Operating Grants and Contributions	5,312	17	5,329	4,834	1,422	1,241
Capital Grants and Contributions	734	-	734	779	112	82
	7,981	2,524	10,505	9,717	6,185	5,380
Expenses	21,233	1,984	23,217	22,923	7,702	6,973
Net (Expenses) Revenues	(13,252)	540	(12,712)	(13,206)	(1,517)	(1,593)
General Revenues	13,876	21	13,897	13,111	2,568	2,082
Transfers and Other Items	549	(549)	-	-	-	(7)
Change in Net Assets	\$ 1,173	\$ 12	\$ 1,185	\$ (95)	\$ 1,051	\$ 482

Governmental Activities Revenues

The following is a graphical representation of the Statement of Activities (Figure 5) revenues for governmental activities.

Figure 6

**Revenues by Source – Governmental Activities
FY 2004**

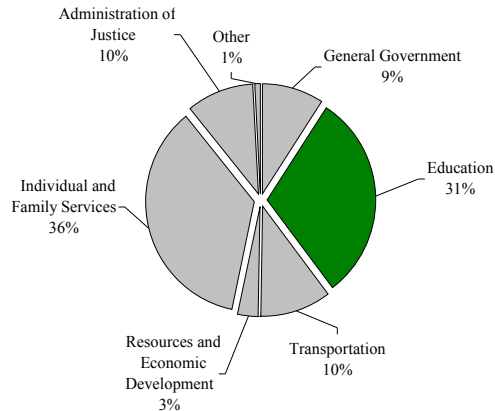


Governmental Activities Expenses

The following is a graphical representation of the Statement of Activities (Figure 5) expenses for governmental activities.

Figure 7

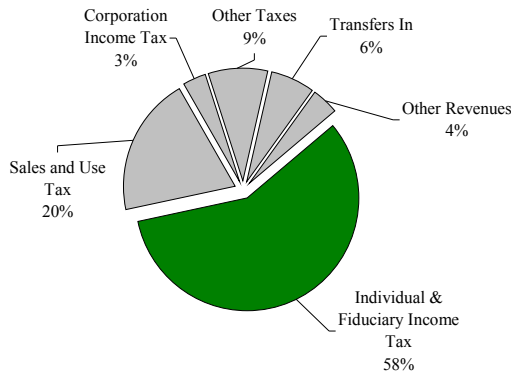
**Expenditures by Type – Governmental Activities
FY 2004**



General Fund – Cash Basis

During FY 2004 the General Fund received \$12.7 billion in resources. **Figure 8** illustrates the various revenue sources. Individual and fiduciary income taxes accounted for 58 percent of the total resources of the General Fund, while sales and use taxes made up 20 percent. These revenues plus other revenues totaled \$12.0 billion, or 94.5 percent of General Fund resources. The remaining resources totaling \$698 million came through transfers from other funds, including alcoholic beverage sales and lottery profits.

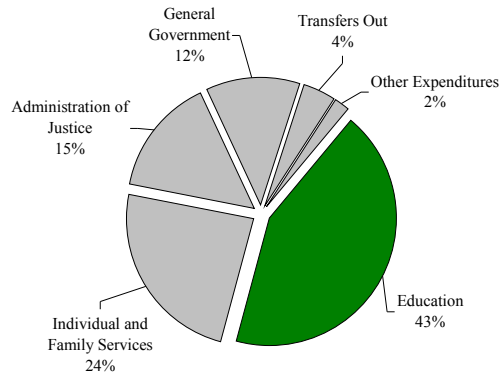
Figure 8
**General Fund Revenue
FY 2004, Cash Basis**



Revenues (not including transfers) increased by \$765 million from FY 2003. This increase is attributable to the net effect of changes in all sources of revenue.

General Fund disbursements, including transfers, for FY 2004 (**Figure 9**) totaled \$12.2 billion. Expenditures totaled \$11.7 billion and transfers to other funds were \$463 million. Education accounted for 43 percent of General Fund spending, including direct state aid for primary and secondary schools and General Fund expenditures to support state colleges and universities. Support for social services, Medicaid, public health, and mental health consumed 24 percent of the General Fund. Public safety consumed 15 percent. Just 12 percent was used to support the administration of general governmental operations, which included 63 percent, or \$881.1 million, for payments to localities to offset state-mandated reductions in local personal property tax rates (i.e., car tax).

Figure 9
**General Fund Disbursements
FY 2004, Cash Basis**



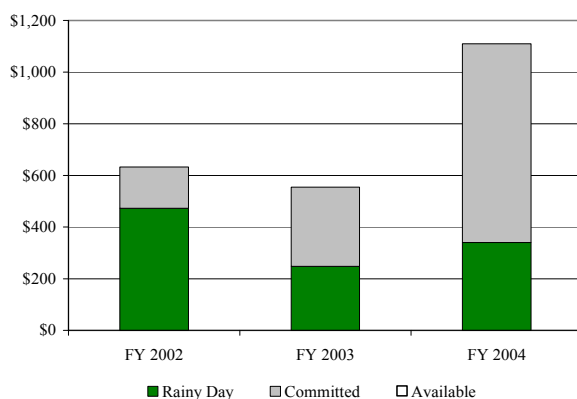
Expenditures (not including transfers) increased by \$52 million over the prior year. The increase is due to the net affect of changes in all uses of General Fund resources.

General Fund revenues and net transfers exceeded expenditures by \$555 million on the cash basis. In other words, the General Fund had an operating gain for the year on the cash basis.

Figure 10 shows the General Fund balance - cash basis - at the end of each year since 2002. The continued slowdown of Virginia's economy reduced the balance to \$632.9 million in FY 2002 and \$554.8 million in FY 2003. The General Fund balance showed an increase in FY 2004 to \$1,109.6 million due to a rebounding economy and a \$240 million reimbursement from the federal government for public education expenses.

Figure 10
General Fund Balance - Cash Basis
Highlighting the Available Fund Balance

(Dollars in Millions)



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 2004, as at the end of the last four fiscal years, 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 rainy day fund is reported as a reserved portion of the General Fund. 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 2004 is \$340.1 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 \$155.2 million in interest. Transfers of \$247.5 and \$467.7 million were made from the Revenue Stabilization Fund into the General Fund in FY 2003 and FY 2002, respectively as prescribed by the state budget. Collections for FY 1994, FY 2001, and FY 2002 did not require a contribution. While a contribution was not required based on FY 2003 collections, a transfer of \$87 million was made during FY 2004 in advance of the required deposit date based on increased FY 2004 General Fund collections. A contribution of \$316.4 million will be required based on FY 2004 collection.

General Fund - GAAP Basis

During FY 2004 the General Fund received \$12.6 billion in resources. **Figure 11** 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 \$11.9 billion, or 94.5 percent. The remaining monies totaling \$701 million came through transfers from other funds, including alcoholic beverage sales and lottery profits.

Revenues (not including transfers) increased by \$977 million from FY 2003. This increase is attributable to the net effect of changes in all line items.

General Fund disbursements, including transfers, for FY 2004 (**Figure 12**) totaled \$12.3 billion. Expenditures totaled \$11.8 billion and transfers to other funds were \$469 million. Education accounted for 42 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 24 percent of the General Fund. Public safety disbursed 16 percent, while only 12 percent was used to support the administration of general governmental operations.

Expenditures (not including transfers) increased by \$83 million over the prior year. The increase is due to the net affect of changes in all line items.

General Fund revenues and net transfers exceeded expenditures by \$392 million on the GAAP basis of accounting. In other words, the General Fund had an operating gain for the year on the GAAP basis of accounting.

Figure 11
General Fund Revenue
FY 2004, GAAP Basis

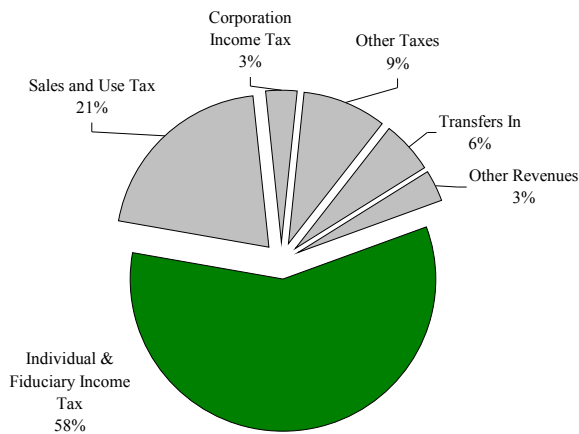
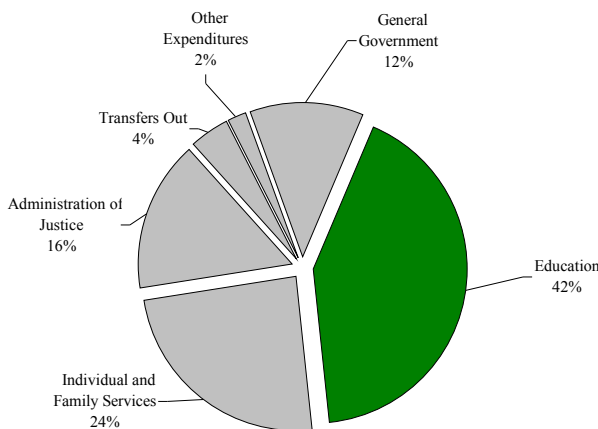


Figure 12
General Fund Disbursements
FY 2004, GAAP Basis



GAAP accounting requires that Virginia recognize certain assets and liabilities that are not recognized on the cash basis of accounting. Overall, the additional liabilities recognized under GAAP exceeded the additional assets, reducing fund balance to a greater degree than is recognized on a cash basis of accounting. Several future liabilities are particularly significant. One is for *estimated tax refunds due* of \$231.4 million, which is an estimate of the state income taxes withheld during FY 2004 that will eventually be refunded. Another is for *tax refunds payable* on returns filed in FY 2004 and paid during the months of July and August following year end close of \$231.4 million. The third item is an amount of estimated *Medicaid claims payable* of \$170.6 million, which represents medical services rendered in prior years that will not be paid for until FY 2005. These amounts are summarized in **Figure 13** that compares the General Fund on a cash and GAAP basis of accounting.

Figure 13
Analysis of General Fund Balance
Cash Basis versus GAAP Basis

For Fiscal Years Ended June 30, 2004 and 2003

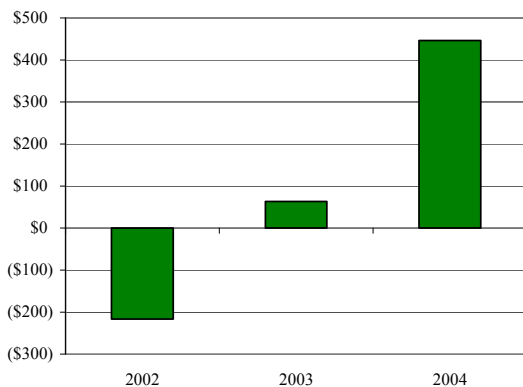
(Dollars in Millions)

	FY 2004	FY 2003
Fund Balance, Cash Basis	\$ 1,109.6	\$ 554.8
ADD:		
Sales Taxes Receivable	111.3	87.1
Other Taxes Receivable	295.1	281.5
Other Receivables	73.0	85.4
Inventory	46.5	37.1
Other Accrued Items	(6.7)	46.1
Total to be Added	519.2	537.2
LESS:		
Tax Refunds Payable	231.4	217.9
Estimated Tax Refunds Due	231.4	168.1
Medicaid Claims Payable	170.6	160.4
Sales Taxes Due to Localities	160.8	143.9
Other Accrued Items	388.4	338.1
Total to be Subtracted	1,182.6	1,028.4
Difference	(663.4)	(491.2)
Fund Balance, GAAP Basis	\$ 446.2	\$ 63.6

General fund expenditures and net transfers exceeded revenues by \$392.4 million on the GAAP basis. Fund balance increased to \$446.2 million, compared to a balance of \$63.6 million in FY 2003 (**Figure 14**). The increase in the General Fund GAAP basis balance from FY 2003 to FY 2004 is a rebounding economy and a \$240 million reimbursement from the federal fund for public education expenses.

Figure 14
General Fund Balance - GAAP Basis

(Dollars in Millions)



Commonwealth Transportation Fund - GAAP Basis

The Commonwealth Transportation Fund pays for the construction and maintenance of state highways. The fund also provides monies for other modes of transportation including rail, bus, aviation and seaports.

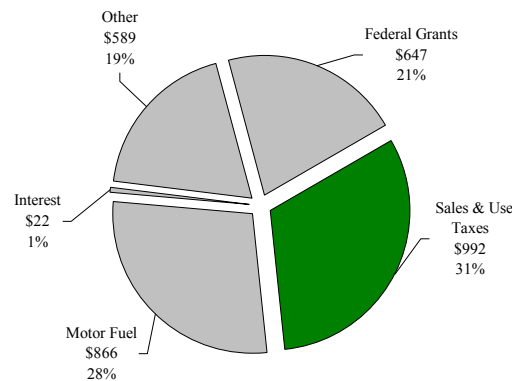
The size of this fund reflects the fact that Virginia is one of only a few states that includes essentially all roads within the state highway system. Virginia has approximately 69,054 miles of state roads.

The Commonwealth Transportation Fund (**Figure 15**) is classified as a *special revenue fund* because revenues of the fund come from various taxes and fees that are restricted for use in the support of transportation programs.

These revenue sources include the tax on motor fuel, vehicle registration and titling fees, and driver licensing fees. Also, since 1986, one half cent of the state's sales tax is deposited into this fund.

During FY 2004, the Commonwealth Transportation Fund had revenues and other receipts of \$3.3 billion and expenditures and other uses of \$3.3 billion on a GAAP basis. At the end of FY 2004, the fund had a balance of \$1.3 billion measured on a GAAP basis.

Figure 15
Commonwealth Transportation Fund Revenue Sources FY 2004, GAAP Basis
(Dollars in Millions)



Highway construction projects often require several years to complete. State revenues contribute approximately 54.7 percent of the funding for these projects. The federal government provides 39.6 percent, and 5.7 percent comes from bond proceeds. Local governments also contribute to the cost of highway construction.

College Savings Plan Fund - GAAP Basis

Proprietary Fund

The Virginia College Savings Plan (VCSP) Fund administers the Virginia Prepaid Education Program that locks in future tuition costs for minors from birth through the ninth grade. The fund accounts for the actuarially determined contributions and payments for approved expenses, and is classified as a proprietary fund. VCSP had current assets of \$160.0 million plus noncurrent assets such as investments and receivables of \$873.5 million. These assets were held to satisfy current liabilities of \$48.9 million and long-term liabilities of \$1.1 billion. Invested in capital assets, net of related debt is \$162,000 and total unrestricted net assets were a negative \$128.7 million as of June 30, 2004.

Private Purpose Fund

VCSP also administers two other plans, the Virginia Education Savings Trust and College America. These plans are voluntary, non-guaranteed, higher educational investment programs. They are classified as a private purpose fund because the monies solely benefit individuals.

Total assets in the VCSP private purpose fund totaled \$7.5 billion as of June 30, 2004, and included \$7.3 billion of mutual fund investments. The net assets held in trust as of June 30, 2004, were also \$7.5 billion.

For FY 2004, VCSP reported additions, composed of contributions from plan participants, of \$3.5 billion. Deductions for FY 2004 totaled \$386.3 million, including \$108.1 million in tuition benefits paid and \$271.9 million in redeemed shares.

The University of Virginia Component Unit Fund - GAAP Basis

The University of Virginia (the University) is the Commonwealth's largest institution of higher education. It is comprised of the graduate and undergraduate university facilities in Charlottesville, Virginia, a separate four-year college in Wise, Virginia, and one teaching hospital. In FY 2004, the University had total program revenues of \$1.8 billion and general revenues of \$540 million. Revenues are derived from numerous sources including student tuition and fees, contracts, grants, private gifts, and sales and services through the hospital and auxiliary enterprises. For the same period, the University reported expenses of \$1.9 billion, and showed a net increase in assets of \$367 million.

As of June 30, 2004, the University had total assets of \$5.7 billion, which included \$417.3 million of restricted assets and \$1.5 billion of capital assets. For the same period, liabilities totaled \$1.3 billion, of which \$697.2 million was classified as long-term liabilities. The University had \$4.5 billion in net assets as of June 30, 2004.

Pension Trust Fund - GAAP Basis

The Commonwealth maintains a number of funds that are managed for the benefit of various groups and institutions. The largest of these is the pension trust fund for state and certain local employees. This fund ended FY 2004 with a total equity of \$40.0 billion. During FY 2004 the fund received \$1.3 billion in contributions and earned \$6.1 billion on investment holdings. The increase in net assets after the payment of retirement benefits, refunds and operating costs was \$5.3 billion (**Figure 16**).

On November 5, 1996, Virginia voters approved an amendment to the Constitution of Virginia which provided that funds of the Virginia Retirement System are trust funds held separate from other state funds. This amendment safeguards the trust funds from being used for any purpose other than paying benefits to members and beneficiaries. The amendment does not change the way the System is funded or organized.

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 2004 totaled \$174.5 million. This was less than the actuarially determined Annual Required Contribution of \$281.9 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 2004. 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.

Figure 16
Statement of Changes in Plan Net Assets
Pension Trust Fund - GAAP Basis
For the Fiscal Year Ended June 30, 2004

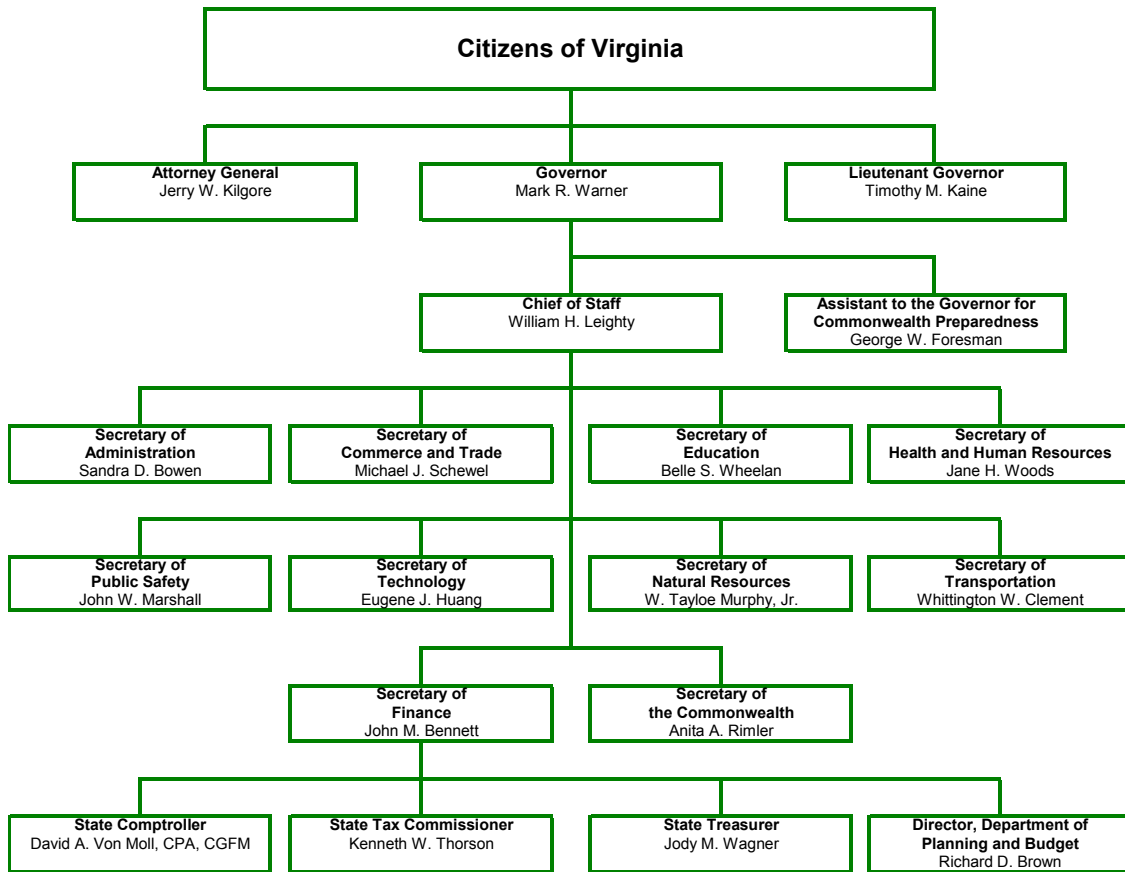
(Dollars in Thousands)

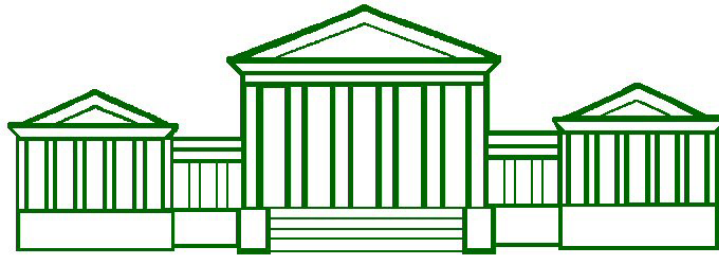
Additions:	
Contributions	\$ 1,299,629
Investment Income:	
Interest, Dividends, and Other	
Investment Income	6,246,416
Less Investment Expenses	145,620
Net Investment Income	6,100,796
Other Revenue	908
Total Additions	7,401,333
Deductions:	
Retirement Benefits	1,761,164
Refunds to Former Members	84,968
Retiree Health Insurance Credits	64,920
Insurance Premiums and Claims	106,031
Administrative Expenses	20,516
Other Expenses	24,207
Total Deductions	2,061,806
Net Increase (Decrease)	5,339,527
Net Assets, July 1	34,704,280
Net Assets, June 30	\$ 40,043,807

Alcoholic Beverage Control Fund - GAAP Basis

The ABC fund accounts for the receipts and disbursements from the sale of alcoholic beverages. In FY 2004, ABC profits of \$83.4 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 2004 was \$83.6 million on \$415.5 million in total sales.

**Organization of Government
Selected Government Officials - Executive Branch**





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