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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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,

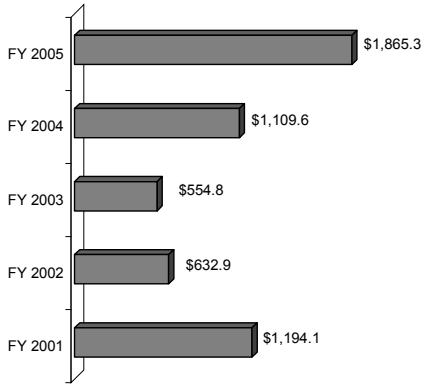
David A. Von Moll

Comptroller of the Commonwealth of Virginia

Financial Overview

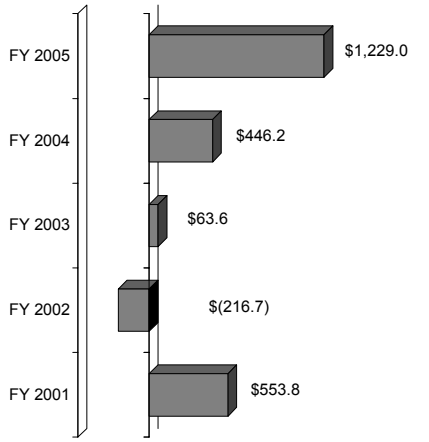
General Fund Balance – Basis of Budgeting

(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.

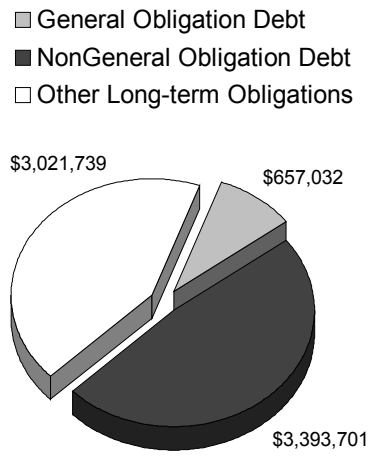
The balance of general obligation debt of $398.5 million, also backed by the full faith and credit of the Commonwealth, consisted of Section 9(c) bonds. Revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities and transportation toll facilities, service these bond 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.

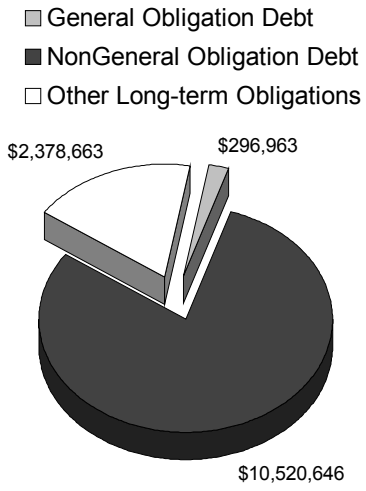
None of the remaining debt of the Commonwealth, which totals $14.4 billion, is supported by tax revenues. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies 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*

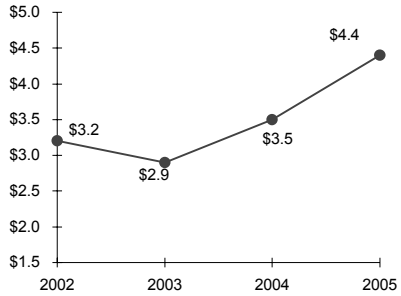


Total Outstanding Debt
Component Units
June 30, 2005
(Dollars in Thousands) *Figure 7*

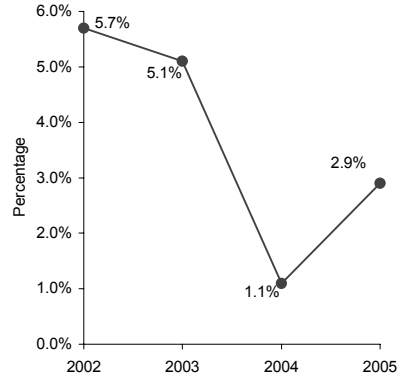


Investment Policy

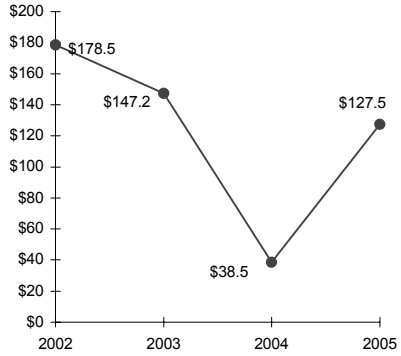
Average Daily Invested Balance
By Fiscal Year
(Dollars in Billions) *Figure 8*



Average Yield on Investments
By Fiscal Year
Figure 9



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



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.

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.

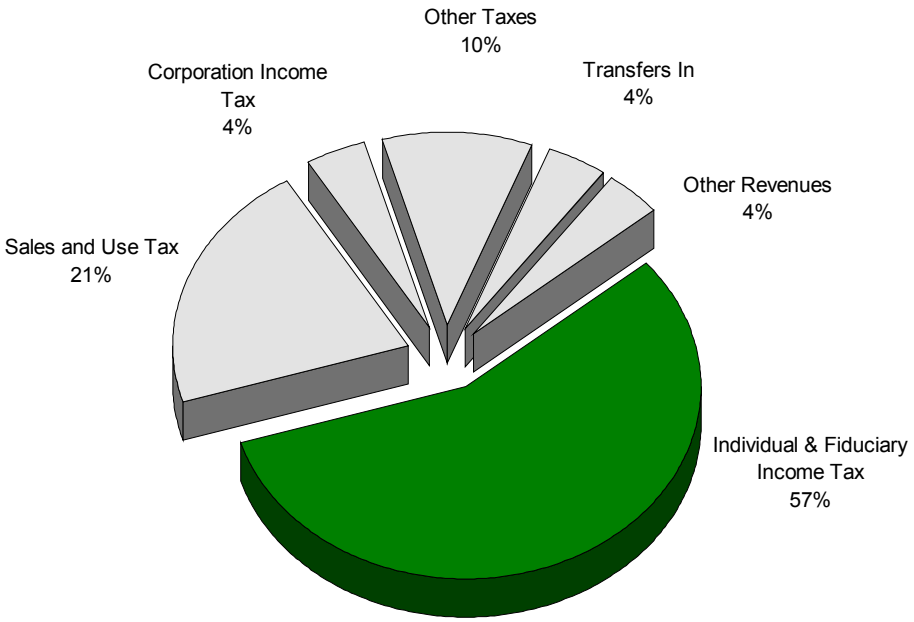
Internal Controls

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

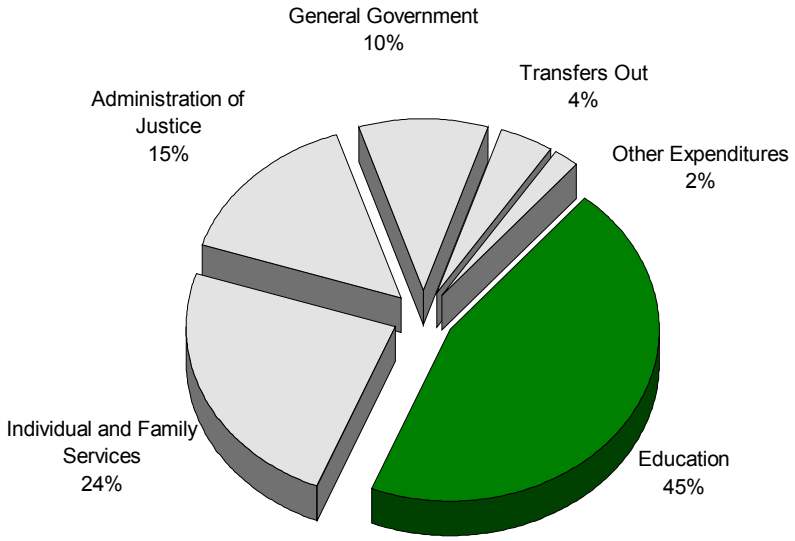
Figure 11
Revenue Dollar
Fiscal Year 2005
(Basis of Budgeting)



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

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

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.

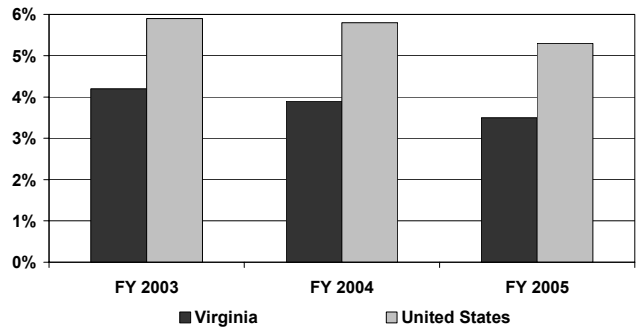
As depicted in **Figure 14**, only two sectors incurred slight declines in employment in fiscal year 2005, manufacturing (-167 jobs or -0.1 percent) and information (-617 jobs or -0.6 percent). Professional and business services posted the largest increase in employment (25,600 or 4.6 percent). The other 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

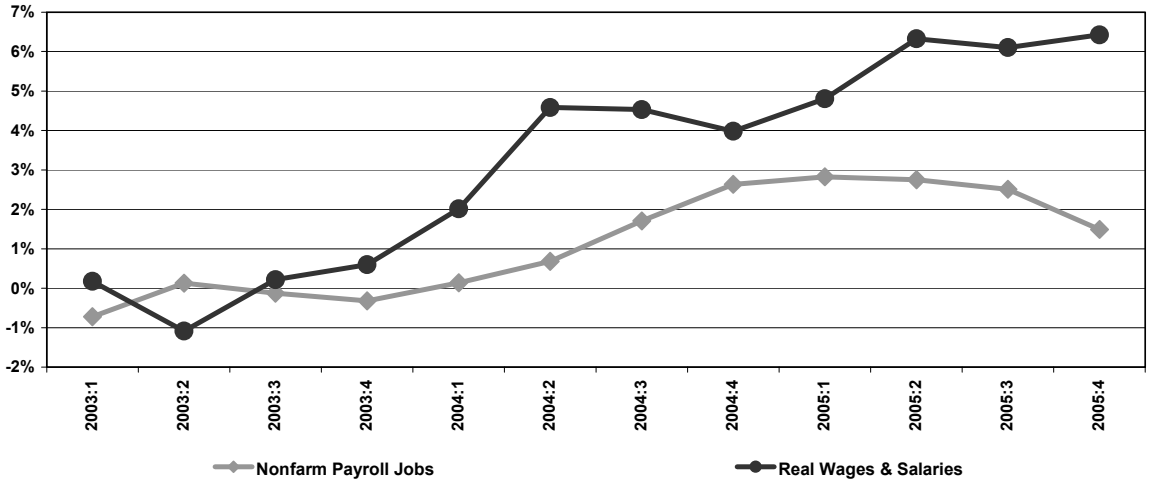
Figure 15
Nonfarm Employment, Metropolitan and Non-metropolitan Areas

	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.

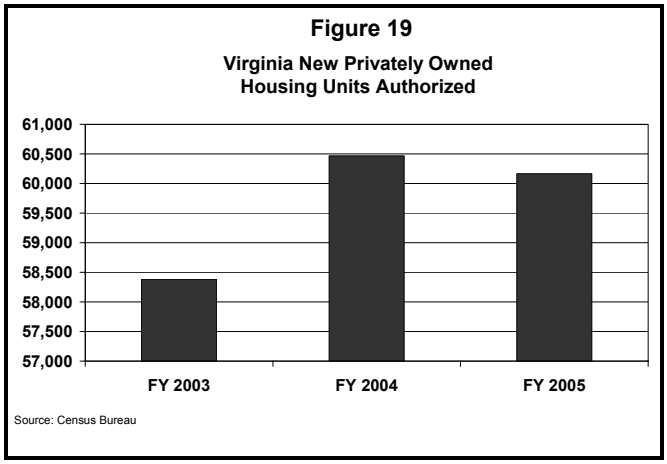
Figure 21 shows the growth rate of adjusted retail sales for Virginia and the United States. In order to make the two series comparable, lodging sales were removed from Virginia retail sales and gasoline and automobile sales were removed from the United States retail sales. The Commonwealth's adjusted 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.

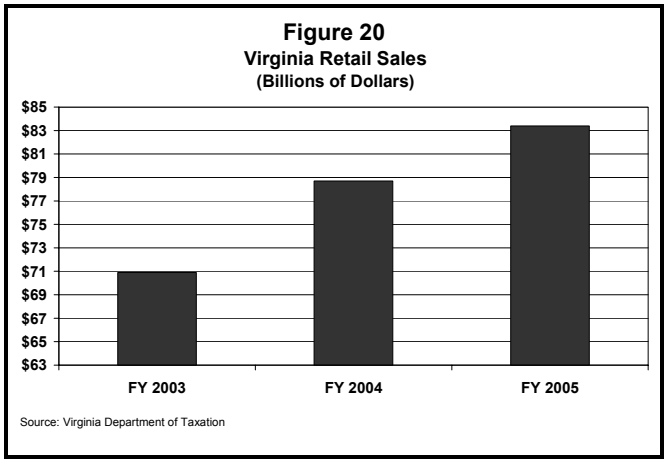
Forecasts

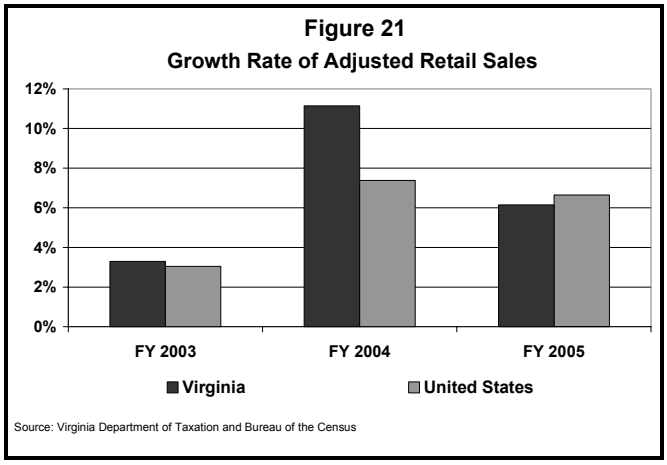
The Center for Urban Development has prepared forecasts for several Virginia economic indicators included in this outlook. For fiscal year 2006, non-farm employment is expected to grow by 1.8 percent, real personal income by 3.0 percent, real wages and salaries by 4.0 percent and retail sales by 2.2 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.

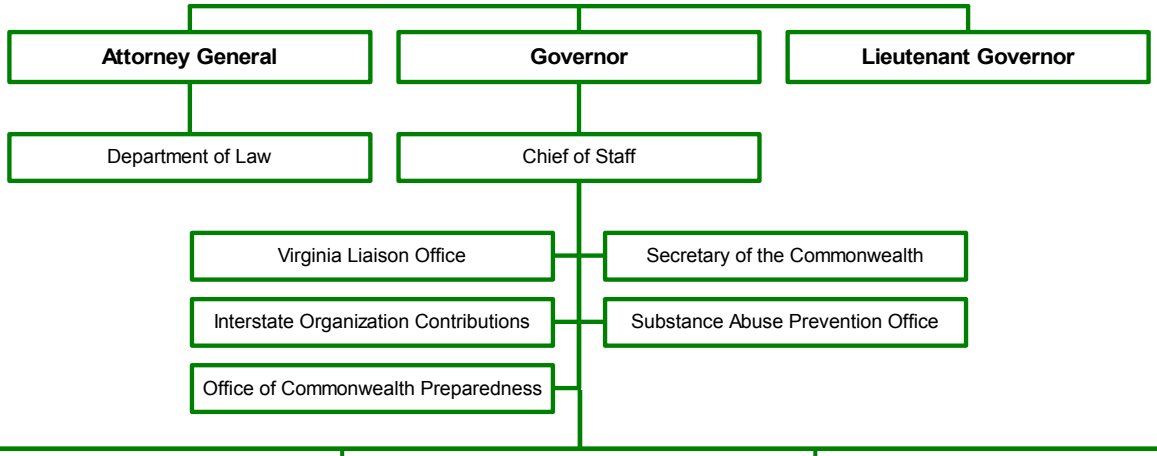






Organization of Executive Branch of Government

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
Department of Veterans' Services
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

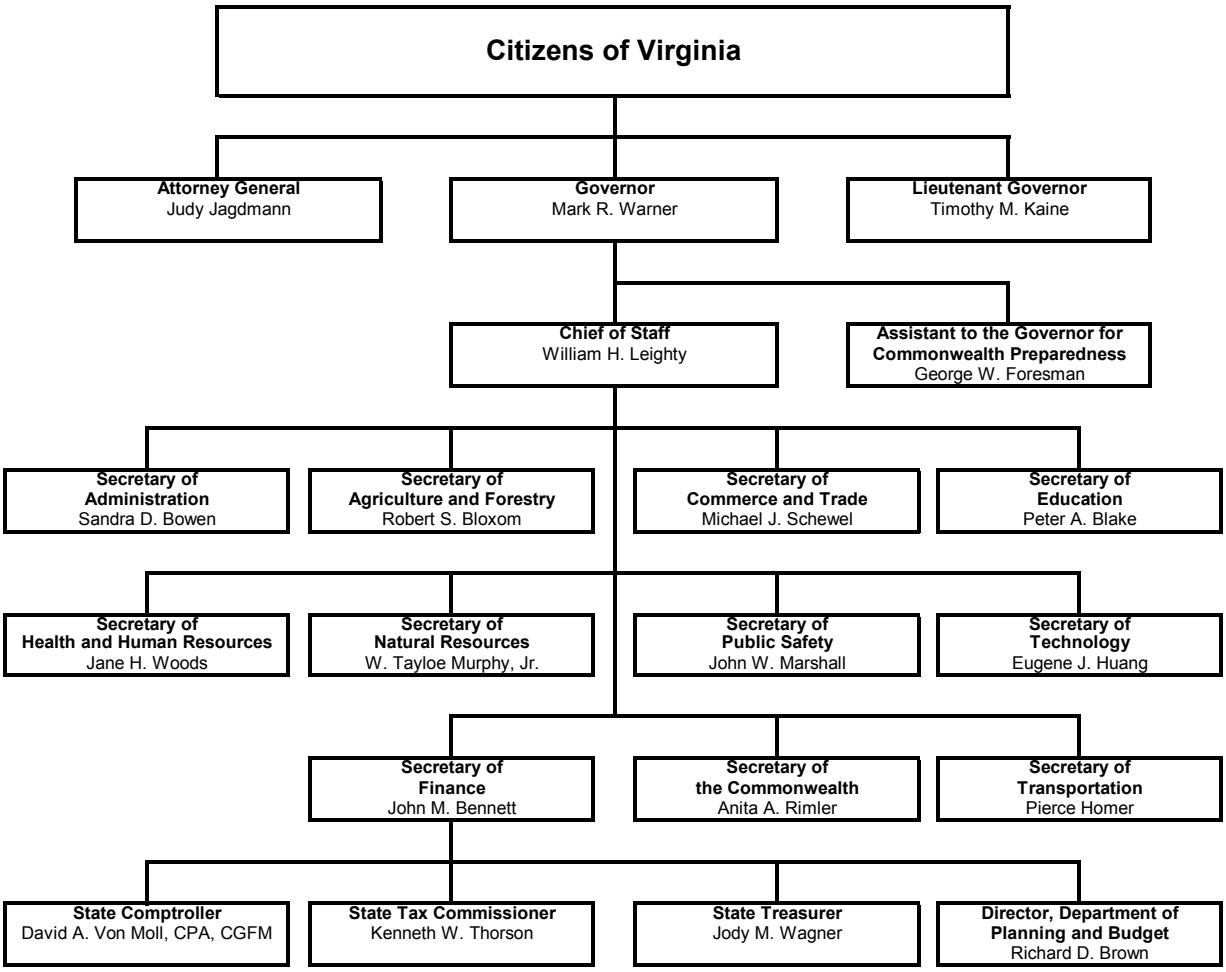
Secretary of Public Safety
Commonwealth's Attorneys' Services Council
Department of Alcoholic Beverage Control
Department of Correctional Education
Department of Corrections
Department of Criminal Justice Services
Department of Emergency Management
Department of Fire Programs
Department of Juvenile Justice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

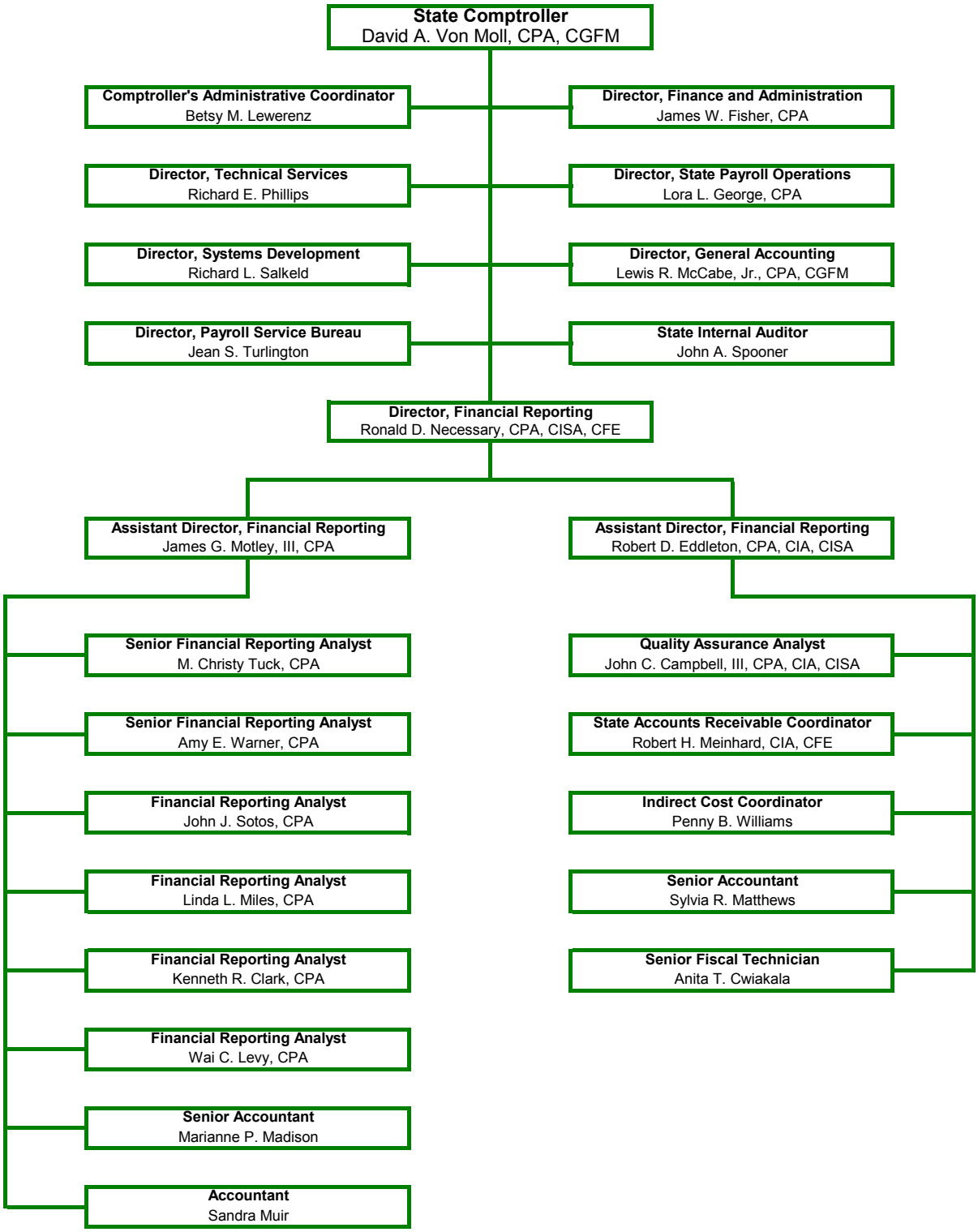
Organization of Government

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

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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.

Walter J. Kucharski

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).

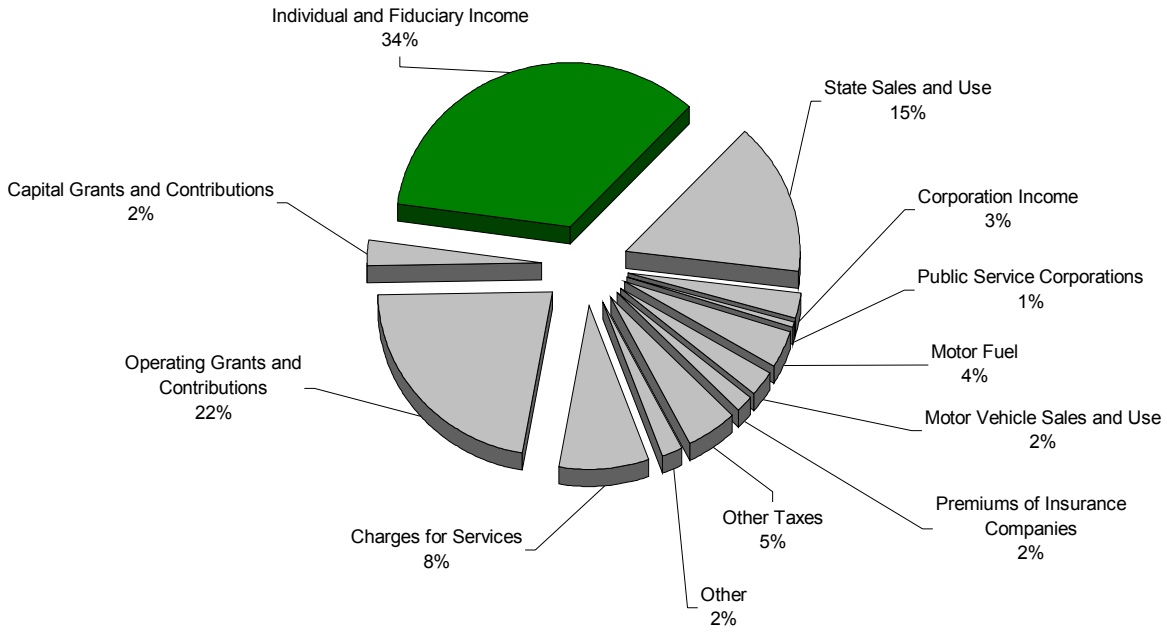
Figure 23
Changes in Net Assets for the Fiscal Years Ended June 30, 2005 and 2004
(Dollars in Thousands)

	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



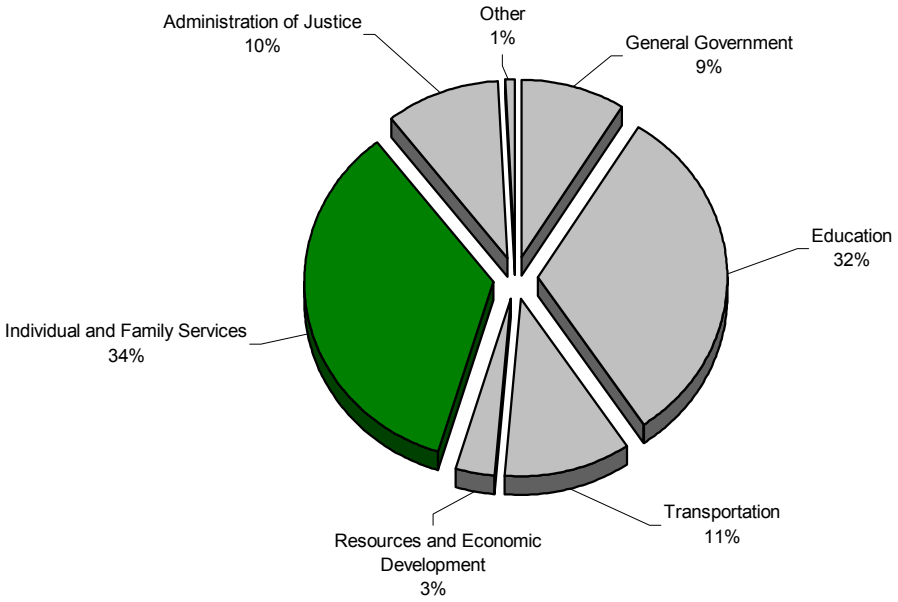
The Commonwealth's overall financial position increased in fiscal year 2005 when compared to fiscal year 2004, due to the increases in enhanced compliance programs. Net collections increased 24 percent as a significant amount of revenue last year was collected during the Tax Amnesty period and somewhat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

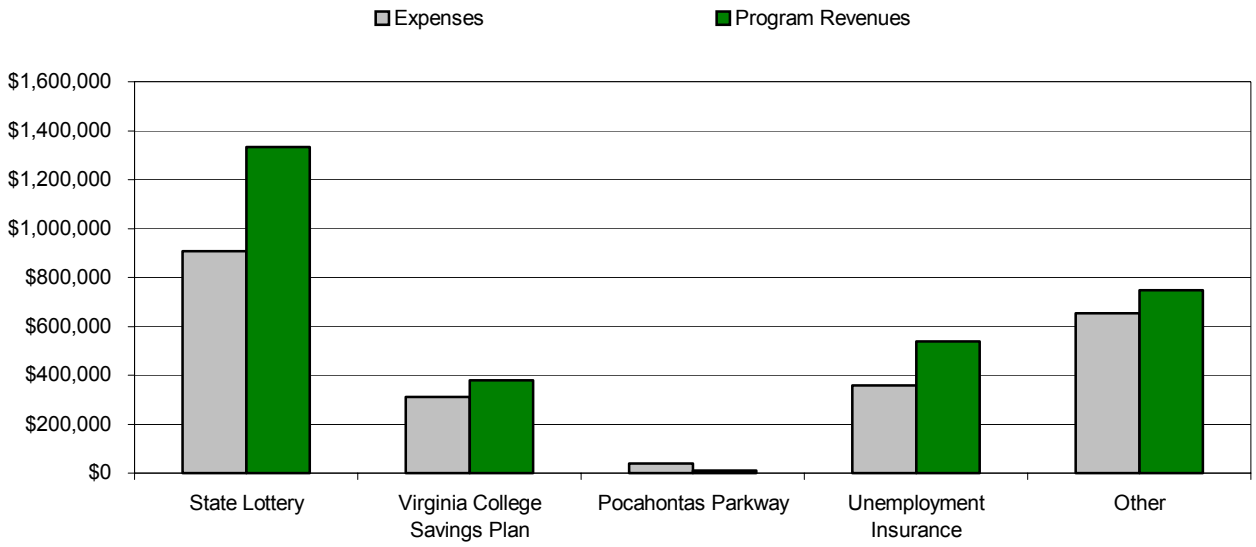
- Lottery sales increased by $71.6 million (5.7 percent) over last year to a record $1.334 billion. Net income was a record $432.7 million, an increase of $11.8 million (2.8 percent) from fiscal year 2004. Sales of all Lottery products, except Lotto South, increased in fiscal year 2005. Sales of Scratch 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.

Nonmajor	Total	Governmental Activities 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 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 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 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.

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(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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Financial Reporting, Virginia Department of Accounts

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