

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 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 177 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 193 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Proprietary Funds

June 30, 2006

(Dollars in Thousands)

	Business-type Activities			
	Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Assets				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 9,356	\$ 104,581	\$ 723,153	\$ 135,202
Investments (Notes 1 and 6)	424,126	5,573	-	16,852
Receivables, Net (Notes 1 and 7)	43,895	78,106	97,414	26,178
Due from Other Funds (Note 9)	-	-	479	-
Inventory (Note 1)	-	-	-	43,038
Prepaid Items (Note 1)	1,079	-	-	1,152
Other Assets (Notes 1 and 10)	1	-	-	166
Total Current Assets	478,457	188,260	821,046	222,588
Noncurrent Assets:				
Investments (Notes 1 and 6)	288,108	1,177,798	-	1
Receivables, Net (Notes 1 and 7)	-	237,617	-	-
Other Assets (Notes 1 and 10)	-	-	-	318
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	2,338
Depreciable Capital Assets, Net (Notes 1 and 12)	2,920	179	-	32,851
Total Noncurrent Assets	291,028	1,415,594	-	35,508
Total Assets	769,485	1,603,854	821,046	258,096
Liabilities				
Current Liabilities:				
Accounts Payable (Notes 1 and 20)	7,075	1,274	98	35,529
Amounts Due to Other Governments	-	-	6,441	-
Due to Other Funds (Note 9)	939	-	294	7,531
Interfund Payable (Note 9)	8,000	-	-	39,890
Unearned Revenue (Note 1)	2,811	-	-	2,414
Obligations Under Securities Lending Program (Notes 1 and 6)	366,664	11,204	-	33,882
Other Liabilities (Notes 1 and 21)	35,196	95	24,126	234
Claims Payable Due Within One Year (Notes 1 and 19)	-	-	-	20,986
Long-term Liabilities Due Within One Year (Notes 1, 18, and 22)	59,837	64,428	-	5,715
Total Current Liabilities	480,522	77,001	30,959	146,181
Noncurrent Liabilities:				
Interfund Payable (Note 9)	-	-	-	6,568
Claims Payable Due in More Than One Year (Notes 1 and 19)	-	-	-	8,391
Long-term Liabilities Due in More Than One Year (Notes 1, 18, and 22)	291,647	1,553,618	-	17,611
Total Noncurrent Liabilities	291,647	1,553,618	-	32,570
Total Liabilities	772,169	1,630,619	30,959	178,751
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,310	179	-	29,833
Restricted for Unemployment Compensation	-	-	789,900	-
Restricted for Capital Acquisition	-	-	187	-
Unrestricted	(4,994)	(26,944)	-	49,512
Total Net Assets (Deficit) (Note 3)	\$ (2,684)	\$ (26,765)	\$ 790,087	\$ 79,345

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

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

	Governmental Activities	
Total	Internal Service Funds	
\$ 972,292	\$	328,185
446,551		40,689
245,593		13,515
479		32,800
43,038		17,203
2,231		1,327
167		1,015
<u>1,710,351</u>		<u>434,734</u>
1,465,907		-
237,617		-
318		-
2,338		375
35,950		76,564
<u>1,742,130</u>		<u>76,939</u>
<u>3,452,481</u>		<u>511,673</u>
43,976		52,264
6,441		2,183
8,764		2,090
47,890		732
5,225		72,324
411,750		81,807
59,651		1,210
20,986		133,000
129,980		10,272
<u>734,663</u>		<u>355,882</u>
6,568		12,495
8,391		220,602
<u>1,862,876</u>		<u>13,937</u>
<u>1,877,835</u>		<u>247,034</u>
<u>2,612,498</u>		<u>602,916</u>
32,322		67,948
789,900		-
187		-
17,574		(159,191)
<u>\$ 839,983</u>	<u>\$</u>	<u>(91,243)</u>
(125)		
<u>\$ 839,858</u>		

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

For the Fiscal Year Ended June 30, 2006

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Operating Revenues:				
Charges for Sales and Services	\$ 1,365,326	\$ 166,206	\$ 542,991	\$ 788,529
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	105,184	-	3,658
Other (Note 23)	-	-	-	26,604
Total Operating Revenues	<u>1,365,326</u>	<u>271,390</u>	<u>542,991</u>	<u>818,791</u>
Operating Expenses:				
Cost of Sales and Services	85,125	-	-	294,270
Prizes and Claims (Note 24)	759,518	-	338,624	157,179
Tuition Benefits Expense	-	230,131	-	-
Personal Services	19,252	3,498	-	88,093
Contractual Services	33,358	3,752	-	41,209
Supplies and Materials	2,041	48	-	17,860
Depreciation and Amortization (Note 25)	4,814	52	-	15,304
Rent, Insurance, and Other Related Charges	1,477	221	-	19,716
Interest Expense	-	-	-	26,414
Non-recurring Cost Estimate Payments to Providers	-	-	-	42,357
Distribution of On-Line Revenue	-	-	-	11,665
Other (Note 26)	-	71	-	2,267
Total Operating Expenses	<u>905,585</u>	<u>237,773</u>	<u>338,624</u>	<u>716,334</u>
Operating Income	<u>459,741</u>	<u>33,617</u>	<u>204,367</u>	<u>102,457</u>
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	10,550	325	25,657	4,002
Insurance Recoveries	-	-	-	497
Other (Note 27)	(1,522)	(325)	-	(428)
Total Nonoperating Revenues (Expenses)	<u>9,028</u>	<u>-</u>	<u>25,657</u>	<u>4,071</u>
Income Before Transfers	468,769	33,617	230,024	106,528
Transfers In (Note 28)	-	-	-	59
Transfers Out (Note 28)	(468,965)	(141)	(5,500)	(106,165)
Special Items (Note 29)	-	-	-	164,216
Change in Net Assets	<u>(196)</u>	<u>33,476</u>	<u>224,524</u>	<u>164,638</u>
Total Net Assets (Deficit), July 1	<u>(2,488)</u>	<u>(60,241)</u>	<u>565,563</u>	<u>(85,293)</u>
Total Net Assets (Deficit), June 30 (Note 3)	<u>\$ (2,684)</u>	<u>\$ (26,765)</u>	<u>\$ 790,087</u>	<u>\$ 79,345</u>

Some amounts reported for business-type activities 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.

	Governmental Activities	
Total	Internal Service Funds	
\$ 2,863,052	\$	1,256,174
108,842		-
26,604		-
<u>2,998,498</u>		<u>1,256,174</u>
379,395		60,936
1,255,321		800,026
230,131		-
110,843		94,403
78,319		179,160
19,949		11,863
20,170		22,162
21,414		21,968
26,414		353
42,357		-
11,665		-
2,338		47,734
<u>2,198,316</u>		<u>1,238,605</u>
<u>800,182</u>		<u>17,569</u>
40,534		8,656
497		117
(2,275)		2,728
<u>38,756</u>		<u>11,501</u>
838,938		29,070
59		5,823
(580,771)		(1,656)
164,216		-
<u>422,442</u>		<u>33,237</u>
417,541		(124,480)
<u>\$ 839,983</u>	<u>\$</u>	<u>(91,243)</u>

(1,860)

\$ 420,582

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2006

(Dollars in Thousands)

	Business-type Activities			
	Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Cash Flows from Operating Activities:				
Receipts for Sales and Services	\$ 1,367,221	\$ 160,418	\$ 552,602	\$ 804,721
Receipts from Investments	-	-	-	2,143
Internal Activity-Receipts from Other Funds	-	-	3,571	5,991
Internal Activity-Payments to Other Funds	-	(367)	-	(14,896)
Payments to Suppliers for Goods and Services	(84,808)	(155)	-	(335,357)
Payments for Prizes, Claims, and Loss Control (Note 32)	(813,385)	-	(335,098)	(154,497)
Payments for Tuition Benefits	-	(42,997)	-	-
Payments to Employees	(19,061)	(3,526)	-	(89,326)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(38,020)
Payments for Interest	-	-	-	(9,046)
Other Operating Revenue (Note 32)	-	-	-	4,755
Other Operating Expense (Note 32)	(34,678)	(3,640)	-	(40,365)
Net Cash Provided by (Used for) Operating Activities	415,289	109,733	221,075	136,103
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	-	-	-	227
Transfers Out to Other Funds	(468,055)	(141)	(5,500)	(240,978)
Other Noncapital Financing Receipt Activities (Note 32)	9,034	-	-	174,004
Other Noncapital Financing Disbursement Activities (Note 32)	(15,000)	-	-	(40,047)
Net Cash Provided by (Used for) Noncapital Financing Activities	(474,021)	(141)	(5,500)	(106,794)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(578)	(112)	-	(5,390)
Payment of Principal and Interest on Bonds and Notes	(3,126)	-	-	(7,998)
Proceeds from Sale of Capital Assets	-	-	-	28
Other Capital and Related Financing Receipt Activities (Note 32)	-	-	-	336
Other Capital and Related Financing Disbursement Activities (Note 32)	-	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(3,704)	(112)	-	(13,024)
Cash Flows from Investing Activities:				
Purchase of Investments	(6,605)	(2,011,929)	-	-
Proceeds from Sales or Maturities of Investments	60,130	1,841,169	-	2,176
Investment Income on Cash, Cash Equivalents, and Investments	8,057	73,952	25,657	3,198
Net Cash Provided by (Used for) Investing Activities	61,582	(96,808)	25,657	5,374
Net Increase (Decrease) in Cash and Cash Equivalents	(854)	12,672	241,232	21,659
Cash and Cash Equivalents, July 1	9,144	86,278	481,921	96,680
Cash and Cash Equivalents, June 30	\$ 8,290	\$ 98,950	\$ 723,153	\$ 118,339
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 9,356	\$ 104,581	\$ 723,153	\$ 135,202
Cash and Travel Advances	1	-	-	166
Less:				
Securities Lending Cash Equivalents	(1,067)	(5,631)	-	(17,029)
Cash and Cash Equivalents per the Statement of Cash Flows	\$ 8,290	\$ 98,950	\$ 723,153	\$ 118,339

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

		Governmental Activities	
Total		Internal Service Funds	
\$ 2,884,962		\$ 911,098	
2,143		-	
9,562		388,676	
(15,263)		(7,969)	
(420,320)		(136,254)	
(1,302,980)		(772,205)	
(42,997)		-	
(111,913)		(101,286)	
(38,020)		-	
(9,046)		-	
4,755		2	
(78,683)		(167,320)	
<u>882,200</u>		<u>114,742</u>	
227		5,823	
(714,674)		(1,656)	
183,038		5,805	
(55,047)		-	
<u>(586,456)</u>		<u>9,972</u>	
(6,080)		(23,628)	
(11,124)		(6,975)	
28		621	
336		298	
-		(632)	
<u>(16,840)</u>		<u>(30,316)</u>	
(2,018,534)		-	
1,903,475		-	
110,864		7,002	
(4,195)		7,002	
274,709		101,400	
674,023		186,683	
<u>\$ 948,732</u>		<u>\$ 288,083</u>	
\$ 972,292		\$ 328,185	
167		1,015	
(23,727)		(41,117)	
<u>\$ 948,732</u>		<u>\$ 288,083</u>	

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

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities:				
Operating Income (Loss)	\$ 459,741	\$ 33,617	\$ 204,367	\$ 102,457
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	4,814	52	-	15,304
Accretion of Principal	-	-	-	16,151
Interest, Dividends, Rents, and Other Investment Income	(25,121)	(105,088)	-	(708)
Miscellaneous Nonoperating Income	-	-	-	(1,969)
Other Expenses	-	-	-	87
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	2,388	(6,372)	10,712	1,422
(Increase) Decrease in Due From Other Funds	-	-	(20)	-
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	316	-	-	(3,314)
(Increase) Decrease in Prepaid Items	1,106	-	-	(195)
Increase (Decrease) in Accounts Payable	1,223	220	(1)	3,566
Increase (Decrease) in Amounts Due to Other Governments	-	-	2,173	-
Increase (Decrease) in Claims Payable	-	-	-	2,699
Increase (Decrease) in Due to Other Funds	(170)	-	9	(2,713)
Increase (Decrease) in Unearned Revenue	(494)	-	-	51
Increase (Decrease) in Other Liabilities	(341)	91	3,835	(1,597)
Increase (Decrease) in Long-term Liabilities: Due Within One Year	765	3,393	-	376
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(28,938)	183,820	-	4,486
Net Cash Provided by (Used for) Operating Activities	<u>\$ 415,289</u>	<u>\$ 109,733</u>	<u>\$ 221,075</u>	<u>\$ 136,103</u>
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	\$ -	\$ -	\$ -	\$ 1,727
Change in Fair Value of Investments	-	31,136	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 31,136</u>	<u>\$ -</u>	<u>\$ 1,727</u>

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

Governmental Activities	
Total	Internal Service Funds
\$ 800,182	\$ 17,569
20,170	22,162
16,151	-
(130,917)	-
(1,969)	415
87	-
8,150	7,598
(20)	6,848
-	1
(2,998)	(1,191)
911	2,676
5,008	4,908
2,173	898
2,699	32,629
(2,874)	1,623
(443)	24,805
1,988	(4,162)
4,534	876
159,368	(2,913)
<u>\$ 882,200</u>	<u>\$ 114,742</u>
\$ 1,727	\$ 3,718
31,136	-
-	1,485
<u>\$ 32,863</u>	<u>\$ 5,203</u>

