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# Proprietary Funds

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*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.*

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## 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 Fund** administers the temporary partial income replacement payments to unemployed covered workers.

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**Nonmajor Enterprise Funds** include those operations of state agencies which are listed on page 197 in the Combining and Individual Fund Statements and Schedules section of this report.

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**Internal Service Funds** include those operations of state agencies which are listed on page 213 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Net Assets – Proprietary Funds**

June 30, 2010

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 122,311	\$ 146,000	\$ 232,418	\$ 200,372
Investments (Notes 1 and 6)	115,056	165	-	12,615
Receivables, Net (Notes 1 and 7)	54,838	72,391	114,021	35,994
Due from Other Funds (Note 9)	-	-	1,157	6
Due From External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due From Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	-	-	-	50,482
Prepaid Items (Note 1)	445	-	-	1,696
Other Assets (Notes 1 and 10)	1	-	-	168
<b>Total Current Assets</b>	<b>292,651</b>	<b>218,556</b>	<b>347,596</b>	<b>301,333</b>
<b>Noncurrent Assets:</b>				
Investments (Notes 1 and 6)	199,382	1,466,027	-	1
Receivables, Net (Notes 1 and 7)	-	205,083	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	120	-	9,383
Depreciable Capital Assets, Net (Notes 1 and 12)	7,068	2,793	-	12,757
<b>Total Noncurrent Assets</b>	<b>206,450</b>	<b>1,674,023</b>	<b>-</b>	<b>22,141</b>
<b>Total Assets</b>	<b>499,101</b>	<b>1,892,579</b>	<b>347,596</b>	<b>323,474</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable (Notes 1 and 23)	8,479	1,429	191	27,717
Amounts Due to Other Governments	-	-	8,036	14,864
Due to Other Funds (Note 9)	225	28	239	7,352
Due to External Parties (Fiduciary Funds) (Note 9)	254	91	-	950
Interfund Payable (Note 9)	9,000	-	-	32,781
Unearned Revenue (Note 1)	2,814	-	-	2,460
Obligations Under Securities Lending Program (Notes 1 and 6)	181,847	472	-	36,019
Other Liabilities (Notes 1 and 24)	43,995	58	375,466	328
Claims Payable Due Within One Year (Notes 1 and 22)	-	-	-	27,813
Long-term Liabilities Due Within One Year (Notes 1, 20, and 26)	52,318	156,368	-	3,845
<b>Total Current Liabilities</b>	<b>298,932</b>	<b>158,446</b>	<b>383,932</b>	<b>154,129</b>
<b>Noncurrent Liabilities:</b>				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 22)	-	-	-	10,350
Long-term Liabilities Due in More Than One Year (Notes 1, 20, and 26)	205,882	1,943,466	-	27,715
<b>Total Noncurrent Liabilities</b>	<b>205,882</b>	<b>1,943,466</b>	<b>-</b>	<b>38,065</b>
<b>Total Liabilities</b>	<b>504,814</b>	<b>2,101,912</b>	<b>383,932</b>	<b>192,194</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of				
Related Debt	7,068	1,505	-	21,953
Restricted for Unemployment Compensation	-	-	15,730	-
Unrestricted	(12,781)	(210,838)	(52,066)	109,327
<b>Total Net Assets (Deficit) (Note 3)</b>	<b>\$ (5,713)</b>	<b>\$ (209,333)</b>	<b>\$ (36,336)</b>	<b>\$ 131,280</b>

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	
\$ 701,101	\$	491,280
127,836		36,220
277,244		19,735
1,163		38,109
-		121
-		11,802
50,482		15,314
2,141		150
169		7,782
<u>1,160,136</u>	<u></u>	<u>620,513</u>
1,665,410	-	-
205,083	-	-
9,503		428
<u>22,618</u>	<u></u>	<u>53,822</u>
1,902,614		54,250
<u>3,062,750</u>	<u></u>	<u>674,763</u>
37,816		60,204
22,900		717
7,844		1,468
1,295		721
41,781		31,484
5,274		82,813
218,338		103,426
419,847		1,108
27,813		159,422
212,531		6,144
<u>995,439</u>	<u></u>	<u>447,507</u>
-		9,040
10,350		379,421
2,177,063		39,056
<u>2,187,413</u>	<u></u>	<u>427,517</u>
3,182,852		875,024
30,526		32,121
15,730		-
(166,358)		(232,382)
<u>\$ (120,102)</u>	<u>\$</u>	<u>(200,261)</u>

(2,262)  
\$ (122,364)

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

For the Fiscal Year Ended June 30, 2010

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Operating Revenues</b>				
Charges for Sales and Services	\$ 1,435,128	\$ 133,162	\$ 524,291	\$ 930,865
Interest, Dividends, Rents, and Other Investment Income	-	237,413	-	-
Other (Note 27)	-	1	-	18,105
Total Operating Revenues	<u>1,435,128</u>	<u>370,576</u>	<u>524,291</u>	<u>948,970</u>
<b>Operating Expenses</b>				
Cost of Sales and Services	100,725	-	-	333,380
Prizes and Claims (Note 28)	842,417	-	922,952	221,116
Tuition Benefits Expense	-	280,799	-	-
Personal Services	22,392	7,345	-	106,353
Contractual Services	28,176	5,116	-	55,028
Supplies and Materials	500	93	-	23,990
Depreciation	2,187	707	-	3,456
Rent, Insurance, and Other Related Charges	1,627	76	-	27,264
Interest Expense	-	36	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	46,020
Other (Note 29)	-	139	-	2,647
Total Operating Expenses	<u>998,024</u>	<u>294,311</u>	<u>922,952</u>	<u>819,254</u>
Operating Income (Loss)	<u>437,104</u>	<u>76,265</u>	<u>(398,661)</u>	<u>129,716</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest, Dividends, Rents, and Other Investment Income	2,224	23	3,364	1,104
Other (Note 30)	(153)	(23)	-	9,822
Total Nonoperating Revenues (Expenses)	<u>2,071</u>	<u>-</u>	<u>3,364</u>	<u>10,926</u>
Income (Loss) Before Transfers	439,175	76,265	(395,297)	140,642
Transfers In (Note 31)	-	-	-	2,448
Transfers Out (Note 31)	(440,547)	(375)	(13,313)	(145,659)
Change in Net Assets	(1,372)	75,890	(408,610)	(2,569)
Total Net Assets (Deficit), July 1	(4,341)	(285,223)	372,274	133,849
Total Net Assets (Deficit), June 30 (Note 3)	<u>\$ (5,713)</u>	<u>\$ (209,333)</u>	<u>\$ (36,336)</u>	<u>\$ 131,280</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.

	<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>	
\$ 3,023,446	\$ 1,487,537	
237,413	-	
18,106	-	
3,278,965	1,487,537	
434,105	63,990	
1,986,485	999,409	
280,799	-	
136,090	56,182	
88,320	345,561	
24,583	8,790	
6,350	12,662	
28,967	67,951	
36	174	
46,020	-	
2,786	16,364	
3,034,541	1,571,083	
244,424	(83,546)	
6,715	3,215	
9,646	(3,740)	
16,361	(525)	
260,785	(84,071)	
2,448	330	
(599,894)	(5,164)	
(336,661)	(88,905)	
216,559	(111,356)	
\$ (120,102)	\$ (200,261)	

(1,212)  
\$ (337,873)

**Statement of Cash Flows – Proprietary Funds**

For the Fiscal Year Ended June 30, 2010

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Cash Flows from Operating Activities</b>				
Receipts for Sales and Services	\$ 1,433,502	\$ 150,137	\$ 475,063	\$ 932,052
Internal Activity-Receipts from Other Funds	-	-	7,089	11,387
Internal Activity-Payments to Other Funds	-	(227)	-	(2,796)
Payments to Suppliers for Goods and Services	(100,725)	(877)	-	(383,678)
Payments for Contractual Services	(20,107)	(5,408)	-	(54,720)
Payments for Prizes, Claims, and Loss Control (Note 34)	(912,482)	-	(950,340)	(226,178)
Payments for Tuition Benefits	-	(94,627)	-	-
Payments to Employees	(21,037)	(6,500)	-	(100,874)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(41,761)
Other Operating Revenue (Note 34)	-	1	-	6,380
Other Operating Expense (Note 34)	-	(1)	-	(182)
Net Cash Provided by (Used for) Operating Activities	379,151	42,498	(468,188)	139,630
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In From Other Funds	-	-	-	2,063
Transfers Out to Other Funds	(449,393)	(375)	(13,587)	(305,879)
Other Noncapital Financing Receipt Activities (Note 34)	8,908	-	346,876	201,733
Other Noncapital Financing Disbursement Activities (Note 34)	-	-	-	(28,200)
Net Cash Provided by (Used for) Noncapital Financing Activities	(440,485)	(375)	333,289	(130,283)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(2,035)	(644)	-	(10,074)
Payment of Principal and Interest on Bonds and Notes	-	(547)	-	(797)
Proceeds from Sale of Capital Assets	-	-	-	21
Net Cash Provided By (Used for) Capital and Related Financing Activities	(2,035)	(1,191)	-	(10,850)
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	(3,070)	(2,052,683)	-	-
Proceeds from Sales or Maturities of Investments	62,912	1,847,110	-	-
Investment Income on Cash, Cash Equivalents, and Investments	2,163	134,905	3,365	872
Net Cash Provided by (Used for) Investing Activities	62,005	(70,668)	3,365	872
Net Increase (Decrease) in Cash and Cash Equivalents	(1,364)	(29,736)	(131,534)	(631)
<b>Cash and Cash Equivalents, July 1</b>	<b>5,513</b>	<b>175,429</b>	<b>363,952</b>	<b>177,766</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 4,149</b>	<b>\$ 145,693</b>	<b>\$ 232,418</b>	<b>\$ 177,135</b>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 122,311	\$ 146,000	\$ 232,418	\$ 200,372
Cash and Travel Advances	1	-	-	168
Less:				
Securities Lending Cash Equivalents	(118,163)	(307)	-	(23,405)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 4,149</u>	<u>\$ 145,693</u>	<u>\$ 232,418</u>	<u>\$ 177,135</u>

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

	<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>	
\$ 2,990,754	\$	1,030,969
18,476		474,358
(3,023)		(10,865)
(485,280)		(136,618)
(80,235)		(342,267)
(2,089,000)		(1,001,579)
(94,627)		-
(128,411)		(52,716)
(41,761)		-
6,381		-
(183)		(11,131)
93,091		(49,849)
2,063		330
(769,234)		(5,164)
557,517		30,209
(28,200)		-
(237,854)		25,375
(12,753)		(3,418)
(1,344)		(7,311)
21		423
(14,076)		(10,306)
(2,055,753)		-
1,910,022		-
141,305		2,940
(4,426)		2,940
(163,265)		(31,840)
722,660		456,019
\$ 559,395	\$	424,179
\$ 701,101	\$	491,280
169		104
(141,875)		(67,205)
\$ 559,395	\$	424,179

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

For the Fiscal Year Ended June 30, 2010

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities</b>				
Operating Income (Loss)	\$ 437,104	\$ 76,265	\$ (398,661)	\$ 129,716
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities</b>				
Depreciation	2,187	707	-	3,456
Interest, Dividends, Rents, and Other Investment Income	(17,432)	(236,127)	-	-
Miscellaneous Nonoperating Income	-	-	-	45
Other Expenses	-	-	-	-
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(1,734)	16,266	(43,097)	(1,624)
(Increase) Decrease in Due From Other Funds	-	-	(177)	1,392
(Increase) Decrease in Due From External Parties (Fiduciary Funds)	-	-	-	-
(Increase) Decrease in Due From Component Units	-	-	-	-
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	-	-	-	(451)
(Increase) Decrease in Prepaid Items	(156)	-	-	337
Increase (Decrease) in Accounts Payable	(244)	(1,051)	(88)	(6,429)
Increase (Decrease) in Amounts Due to Other Governments	-	-	(8,136)	4,754
Increase (Decrease) in Due to Other Funds	59	2	6	234
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	254	91	-	950
Increase (Decrease) in Interfund Payables	-	-	-	59
Increase (Decrease) in Unearned Revenue	108	-	-	369
Increase (Decrease) in Other Liabilities	73	(119)	(18,035)	81
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	(339)
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	1,235
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(9,650)	26,057	-	175
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(31,418)	160,407	-	5,670
Net Cash Provided by (Used for) Operating Activities	\$ 379,151	\$ 42,498	\$ (468,188)	\$ 139,630
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the statement of net assets date:				
New Capital Leases	\$ -	\$ -	\$ -	\$ -
Trade-ins of Used Equipment on New Equipment	-	-	-	-
Installment Purchases Used to Finance Capital Assets	-	-	-	-
Change in Fair Value of Investments	-	101,222	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	\$ -	\$ 101,222	\$ -	\$ -

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

	Governmental Activities	
Total	Internal Service Funds	
\$ 244,424	\$	(83,546)
6,350	12,662	
(253,559)	-	
45	53	
-	39	
(30,189)	9,512	
1,215	2,258	
-	(121)	
-	(11,802)	
-	1,819	
(451)	693	
181	321	
(7,812)	(20,689)	
(3,382)	(133)	
301	447	
1,295	721	
59	(220)	
477	14,087	
(18,000)	(4,474)	
(339)	(7,818)	
1,235	32,694	
16,582	(288)	
134,659	3,936	
\$ 93,091	\$	(49,849)
\$ -	\$	4,037
-	40	
-	765	
101,222	-	
-	223	
\$ 101,222	\$	5,065

