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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.

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**The Unemployment Compensation Fund** 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 203 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 219 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Net Assets – Proprietary Funds**

June 30, 2012

(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)	\$ 230,245	\$ 57,477	\$ 76,573	\$ 180,603
Investments (Notes 1 and 6)	41,929	-	-	16
Receivables, Net (Notes 1 and 7)	52,827	67,874	147,536	33,101
Due from Other Funds (Note 9)	-	-	635	9,086
Due From External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due From Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	-	-	-	51,727
Prepaid Items (Note 1)	231	11	-	1,656
Other Assets (Notes 1 and 10)	1	-	-	169
<b>Total Current Assets</b>	<b>325,233</b>	<b>125,362</b>	<b>224,744</b>	<b>276,358</b>
<b>Noncurrent Assets:</b>				
Investments (Notes 1 and 6)	158,810	1,935,438	-	-
Receivables, Net (Notes 1 and 7)	-	188,097	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	381	-	2,330
Depreciable Capital Assets, Net (Notes 1 and 12)	7,888	3,191	-	20,569
<b>Total Noncurrent Assets</b>	<b>166,698</b>	<b>2,127,107</b>	<b>-</b>	<b>22,899</b>
<b>Total Assets</b>	<b>491,931</b>	<b>2,252,469</b>	<b>224,744</b>	<b>299,257</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable (Notes 1 and 23)	8,734	1,874	153	33,015
Amounts Due to Other Governments	-	-	8,847	2,175
Due to Other Funds (Note 9)	23,095	33	2,113	15,268
Due to External Parties (Fiduciary Funds) (Note 9)	92	34	-	355
Interfund Payable (Note 9)	-	-	-	28,489
Unearned Revenue (Note 1)	2,838	-	-	1,773
Obligations Under Securities Lending Program (Notes 1 and 6)	208,705	-	-	540
Other Liabilities (Notes 1 and 24)	52,132	60	34,715	367
Claims Payable Due Within One Year (Notes 1 and 22)	-	-	-	33,836
Long-term Liabilities Due Within One Year (Notes 1, 20, and 25)	36,771	193,106	-	3,707
<b>Total Current Liabilities</b>	<b>332,367</b>	<b>195,107</b>	<b>45,828</b>	<b>119,525</b>
<b>Noncurrent Liabilities:</b>				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 22)	-	-	-	15,660
Long-term Liabilities Due in More Than One Year (Notes 1, 20, and 25)	169,354	1,986,714	-	44,841
<b>Total Noncurrent Liabilities</b>	<b>169,354</b>	<b>1,986,714</b>	<b>-</b>	<b>60,501</b>
<b>Total Liabilities</b>	<b>501,721</b>	<b>2,181,821</b>	<b>45,828</b>	<b>180,026</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	7,888	3,123	-	22,899
Restricted for Unemployment Compensation	-	-	178,916	-
Unrestricted	(17,678)	67,525	-	96,332
<b>Total Net Assets (Deficit) (Note 4)</b>	<b>\$ (9,790)</b>	<b>\$ 70,648</b>	<b>\$ 178,916</b>	<b>\$ 119,231</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	
\$ 544,898	\$ 354,495	
41,945	127	
301,338	12,963	
9,721	50,154	
-	133	
-	12,198	
51,727	22,904	
1,898	508	
170	7,189	
<u>951,697</u>	<u>460,671</u>	
2,094,248	-	
188,097	-	
2,711	11,227	
<u>31,648</u>	<u>59,717</u>	
2,316,704	70,944	
<u>3,268,401</u>	<u>531,615</u>	
43,776	66,285	
11,022	2,196	
40,509	1,850	
481	236	
28,489	28,852	
4,611	109,881	
209,245	4,238	
87,274	5,104	
33,836	185,243	
233,584	7,375	
<u>692,827</u>	<u>411,260</u>	
-	7,000	
15,660	533,062	
2,200,909	67,640	
<u>2,216,569</u>	<u>607,702</u>	
2,909,396	1,018,962	
33,910	45,433	
178,916	-	
146,179	(532,780)	
<u>\$ 359,005</u>	<u>\$ (487,347)</u>	

(3,061)  
\$ 355,944

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

For the Fiscal Year Ended June 30, 2012

(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	\$ 1,616,002	\$ 143,290	\$ 784,191	\$ 1,006,568
Interest, Dividends, Rents, and Other Investment Income	-	16,754	486	-
Other (Note 26)	-	18	-	17,409
Total Operating Revenues	<u>1,616,002</u>	<u>160,062</u>	<u>784,677</u>	<u>1,023,977</u>
<b>Operating Expenses</b>				
Cost of Sales and Services	115,576	-	-	362,993
Prizes and Claims (Note 27)	950,628	-	637,955	261,814
Tuition Benefits Expense	-	78,425	-	-
Personal Services	22,847	7,726	-	113,294
Contractual Services	25,489	6,895	1,869	61,505
Supplies and Materials	705	56	-	27,297
Depreciation	3,406	306	-	2,406
Rent, Insurance, and Other Related Charges	1,619	103	-	28,843
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	39,514
Other (Note 28)	-	2,451	-	3,763
Total Operating Expenses	<u>1,120,270</u>	<u>95,962</u>	<u>639,824</u>	<u>901,429</u>
Operating Income (Loss)	<u>495,732</u>	<u>64,100</u>	<u>144,853</u>	<u>122,548</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest, Dividends, Rents, and Other Investment Income	1,646	-	-	193
Other (Note 29)	(41)	(106)	68,079	9,195
Total Nonoperating Revenues (Expenses)	<u>1,605</u>	<u>(106)</u>	<u>68,079</u>	<u>9,388</u>
Income (Loss) Before Transfers	497,337	63,994	212,932	131,936
Transfers In (Note 30)	-	-	-	2,102
Transfers Out (Note 30)	(499,251)	(679)	(10,361)	(160,314)
Change in Net Assets	(1,914)	63,315	202,571	(26,276)
Total Net Assets (Deficit), July 1	(7,876)	7,333	(23,655)	145,507
Total Net Assets (Deficit), June 30 (Note 4)	<u>\$ (9,790)</u>	<u>\$ 70,648</u>	<u>\$ 178,916</u>	<u>\$ 119,231</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	
\$ 3,550,051	\$ 1,600,298	
17,240	-	
17,427	1	
3,584,718	1,600,299	
478,569	65,767	
1,850,397	1,219,077	
78,425	-	
143,867	51,840	
95,758	376,184	
28,058	10,798	
6,118	11,071	
30,565	78,854	
-	39	
39,514	-	
6,214	12,325	
2,757,485	1,825,955	
827,233	(225,656)	
1,839	337	
77,127	(2,568)	
78,966	(2,231)	
906,199	(227,887)	
2,102	445	
(670,605)	(4,567)	
237,696	(232,009)	
121,309	(255,338)	
\$ 359,005	\$ (487,347)	

(2,879)  
\$ 234,817

**Statement of Cash Flows – Proprietary Funds**

For the Fiscal Year Ended June 30, 2012

(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	\$ 1,608,604	\$ 155,785	\$ 783,916	\$ 1,004,562
Receipts from Investments	-	-	486	-
Internal Activity-Receipts from Other Funds	-	-	5,196	9,015
Internal Activity-Payments to Other Funds	-	(384)	-	(2,376)
Payments to Suppliers for Goods and Services	(115,576)	(1,114)	-	(416,974)
Payments for Contractual Services	(16,678)	(5,057)	-	(60,614)
Payments for Prizes, Claims, and Loss Control (Note 33)	(994,554)	-	(639,541)	(244,227)
Payments for Tuition Benefits	-	(118,342)	-	-
Payments to Employees	(21,057)	(7,077)	-	(105,722)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(42,367)
Other Operating Revenue (Note 33)	-	-	-	3,087
Other Operating Expense (Note 33)	-	(2,006)	-	(1,840)
Net Cash Provided by (Used for) Operating Activities	460,739	21,805	150,057	142,544
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In From Other Funds	-	-	-	2,096
Transfers Out to Other Funds	(485,291)	(679)	(12,599)	(332,739)
Other Noncapital Financing Receipt Activities (Note 33)	328	-	325,373	212,802
Other Noncapital Financing Disbursement Activities (Note 33)	-	-	(445,818)	(29,468)
Net Cash Provided by (Used for) Noncapital Financing Activities	(484,963)	(679)	(133,044)	(147,309)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(1,891)	(291)	-	(2,097)
Payment of Principal and Interest on Bonds and Notes	-	(575)	-	-
Proceeds from Sale of Bonds and Notes	-	-	-	-
Proceeds from Sale of Capital Assets	63	-	-	-
Other Capital and Related Financing Disbursement Activities (Note 33)	-	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(1,828)	(866)	-	(2,097)
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	(9,587)	(774,700)	-	-
Proceeds from Sales or Maturities of Investments	42,510	661,831	-	-
Investment Income on Cash, Cash Equivalents, and Investments	1,277	60,741	-	-
Net Cash Provided by (Used for) Investing Activities	34,200	(52,128)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	8,148	(31,868)	17,013	(6,862)
<b>Cash and Cash Equivalents, July 1</b>	19,652	89,345	59,560	187,111
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 27,800</u>	<u>\$ 57,477</u>	<u>\$ 76,573</u>	<u>\$ 180,249</u>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 230,245	\$ 57,477	\$ 76,573	\$ 180,603
Cash and Travel Advances	1	-	-	169
Less:				
Securities Lending Cash Equivalents	(202,446)	-	-	(523)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 27,800</u>	<u>\$ 57,477</u>	<u>\$ 76,573</u>	<u>\$ 180,249</u>

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

		<b>Governmental Activities</b>	
		<b>Internal Service Funds</b>	
<b>Total</b>			
\$ 3,552,867	\$ 567,338		
486	-		
14,211	1,031,453		
(2,760)	(9,976)		
(533,664)	(167,038)		
(82,349)	(358,582)		
(1,878,322)	(1,058,674)		
(118,342)	-		
(133,856)	(45,208)		
(42,367)	-		
3,087	-		
(3,846)	(10,199)		
775,145	(50,886)		
2,096	445		
(831,308)	(4,567)		
538,503	17,791		
(475,286)	(9,545)		
(765,995)	4,124		
(4,279)	(24,375)		
(575)	(6,868)		
-	2,863		
63	536		
-	(632)		
(4,791)	(28,476)		
(784,287)	-		
704,341	-		
62,018	195		
(17,928)	195		
(13,569)	(75,043)		
355,668	425,432		
<u>\$ 342,099</u>	<u>\$ 350,389</u>		
\$ 544,898	\$ 354,495		
170	5		
(202,969)	(4,111)		
<u>\$ 342,099</u>	<u>\$ 350,389</u>		

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

For the Fiscal Year Ended June 30, 2012

(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)	\$ 495,732	\$ 64,100	\$ 144,853	\$ 122,548
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation	3,406	306	-	2,406
Interest, Dividends, Rents, and Other Investment Income	(10,995)	(16,276)	-	-
Miscellaneous Nonoperating Income	-	-	6,305	-
Other Expenses	-	-	2,238	-
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(7,026)	12,035	(10,067)	839
(Increase) Decrease in Due From Other Funds	-	-	185	(8,226)
(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	-	-	-	87
(Increase) Decrease in Prepaid Items	301	(11)	-	358
Increase (Decrease) in Accounts Payable	(469)	1,409	(9)	5,154
Increase (Decrease) in Amounts Due to Other Governments	-	-	1,023	(3,224)
Increase (Decrease) in Due to Other Funds	(85)	(19)	(602)	1,315
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	(181)	(65)	-	(161)
Increase (Decrease) in Unearned Revenue	(371)	-	-	(145)
Increase (Decrease) in Other Liabilities	294	(8)	6,131	65
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	9,250
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	3,035
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(5,704)	14,381	-	(33)
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(14,163)	(54,047)	-	9,276
Net Cash Provided by (Used for) Operating Activities	<u>\$ 460,739</u>	<u>\$ 21,805</u>	<u>\$ 150,057</u>	<u>\$ 142,544</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the statement of net assets date:				
Trade-ins of Used Equipment on New Equipment	\$ -	\$ -	\$ -	\$ -
Installment Purchases Used to Finance Capital Assets	-	-	-	-
Change in Fair Value of Investments	-	(43,987)	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ (43,987)</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Governmental Activities	
Total	Internal Service Funds	
\$ 827,233	\$ (225,656)	
6,118	11,071	
(27,271)	-	
6,305	201	
2,238	-	
(4,219)	(433)	
(8,041)	(9,241)	
-	(4)	
-	(23)	
-	6,411	
87	(5,287)	
648	81	
6,085	13,579	
(2,201)	1,045	
609	316	
(407)	(477)	
(516)	1,288	
6,482	(84)	
9,250	27,575	
3,035	121,062	
8,644	120	
(58,934)	7,570	
<u>\$ 775,145</u>	<u>\$ (50,886)</u>	
\$ -	\$ 41	
-	6,777	
(43,987)	-	
<u>\$ (43,987)</u>	<u>\$ 6,818</u>	

