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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 Virginia Lottery** accounts for all receipts and expenses from the operations of the Virginia Lottery.

**The Virginia College Savings Plan** administers the Prepaid529 Program, which is a defined benefit program that offers contracts, for actuarially determined amounts, that provide for 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 219 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 235 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Fund Net Position – Proprietary Funds**

June 30, 2017

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 26,289	\$ 78,660	\$ 1,168,330	\$ 160,183
Receivables, Net (Notes 1 and 7)	69,396	62,959	91,805	49,793
Due from Other Funds (Note 9)	-	-	1,020	627
Due from External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due from Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	6,664	-	-	75,445
Prepaid Items (Note 1)	678	400	-	3,966
Other Assets (Notes 1 and 10)	10,848	-	-	209
<b>Total Current Assets</b>	<b>113,875</b>	<b>142,019</b>	<b>1,261,155</b>	<b>290,223</b>
<b>Noncurrent Assets:</b>				
Investments (Notes 1 and 6)	-	2,576,158	-	-
Receivables, Net (Notes 1 and 7)	-	146,794	-	-
Other Assets (Notes 1 and 10)	111,162	-	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	2,756
Depreciable Capital Assets, Net (Notes 1 and 12)	13,218	8,305	-	18,509
<b>Total Noncurrent Assets</b>	<b>124,380</b>	<b>2,731,257</b>	<b>-</b>	<b>21,265</b>
<b>Total Assets</b>	<b>238,255</b>	<b>2,873,276</b>	<b>1,261,155</b>	<b>311,488</b>
<b>Deferred Outflows of Resources (Notes 1, 13, 14, and 15)</b>	<b>5,785</b>	<b>2,488</b>	<b>-</b>	<b>17,685</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>244,040</b>	<b>2,875,764</b>	<b>1,261,155</b>	<b>329,173</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
<b>Current Liabilities:</b>				
Accounts Payable (Notes 1 and 24)	22,274	3,364	88	76,819
Amounts Due to Other Governments	-	-	4,546	2,397
Due to Other Funds (Note 9)	15,429	104	1,229	17,782
Due to External Parties (Fiduciary Funds) (Note 9)	189	77	-	730
Interfund Payable (Note 9)	-	-	-	34,054
Unearned Revenue (Note 1)	1,760	-	-	4,003
Due to Claimants, Participants, Escrows and Providers (Note 1)	-	2,975	47,044	-
Other Liabilities (Notes 1 and 25)	74,482	16,532	-	270
Claims Payable Due Within One Year (Notes 1 and 23)	-	-	-	48,531
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	12,325	263,945	-	4,194
<b>Total Current Liabilities</b>	<b>126,459</b>	<b>286,997</b>	<b>52,907</b>	<b>188,780</b>
<b>Noncurrent Liabilities:</b>				
Interfund Payable (Note 9)	-	-	-	670
Claims Payable Due in More Than One Year (Notes 1 and 23)	-	-	-	27,083
Long-term Liabilities Due in More Than One Year (Notes 1, 21, and 26)	148,123	1,803,923	-	132,332
<b>Total Noncurrent Liabilities</b>	<b>148,123</b>	<b>1,803,923</b>	<b>-</b>	<b>160,085</b>
<b>Total Liabilities</b>	<b>274,582</b>	<b>2,090,920</b>	<b>52,907</b>	<b>348,865</b>
<b>Deferred Inflows of Resources (Notes 1, 13, 14, and 15)</b>	<b>834</b>	<b>318</b>	<b>-</b>	<b>4,265</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>275,416</b>	<b>2,091,238</b>	<b>52,907</b>	<b>353,130</b>
<b>Net Position</b>				
Net Investment in Capital Assets	13,218	3,281	-	21,265
Restricted for Unemployment Compensation	-	-	1,208,248	-
Unrestricted	(44,594)	781,245	-	(45,222)
<b>Total Net Position (Deficit) (Note 4)</b>	<b>\$ (31,376)</b>	<b>\$ 784,526</b>	<b>\$ 1,208,248</b>	<b>\$ (23,957)</b>

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

Net position of business-type activities

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

	Governmental Activities	
Total		Internal Service Funds
\$ 1,433,462	\$	508,036
273,953		22,930
1,647		52,205
-		210
-		23,101
82,109		15,231
5,044		7,578
11,057		13,372
1,807,272		642,663
2,576,158		-
146,794		-
111,162		-
2,756		18,362
40,032		159,812
2,876,902		178,174
4,684,174		820,837
25,958		10,907
4,710,132		831,744
102,545		97,910
6,943		70
34,544		1,892
996		436
34,054		15,595
5,763		131,402
50,019		-
91,284		321
48,531		188,651
280,464		9,050
655,143		445,327
670		82,988
27,083		721,015
2,084,378		124,244
2,112,131		928,247
2,767,274		1,373,574
5,417		6,657
2,772,691		1,380,231
37,764		138,820
1,208,248		-
691,429		(687,307)
\$ 1,937,441	\$	(548,487)

974  
\$ 1,938,415

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

For the Fiscal Year Ended June 30, 2017  
(Dollars in Thousands)

	Business-type Activities Enterprise Funds		
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 1,989,872	\$ 148,435	\$ 490,517
Interest, Dividends, Rents, and Other Investment Income	-	255,636	22,575
Other (Note 27)	-	-	295
Total Operating Revenues	<u>1,989,872</u>	<u>404,071</u>	<u>513,387</u>
<b>Operating Expenses</b>			
Cost of Sales and Services	143,267	-	-
Prizes and Claims (Note 29)	1,202,005	-	347,869
Tuition Benefits Expense	-	180,811	-
Personal Services	30,541	11,839	-
Contractual Services	39,654	11,289	-
Supplies and Materials	547	70	-
Depreciation	2,610	507	-
Rent, Insurance, and Other Related Charges	2,138	223	-
Interest Expense	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other (Note 30)	-	1,617	-
Total Operating Expenses	<u>1,420,762</u>	<u>206,356</u>	<u>347,869</u>
Operating Income	<u>569,110</u>	<u>197,715</u>	<u>165,518</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	934	-	-
Other (Note 31)	865	35	(401)
Total Nonoperating Revenues (Expenses)	<u>1,799</u>	<u>35</u>	<u>(401)</u>
Income Before Transfers	570,909	197,750	165,117
Transfers In (Note 33)	-	-	-
Transfers Out (Note 33)	(571,370)	(935)	(1,427)
Change in Net Position	(461)	196,815	163,690
Total Net Position (Deficit), July 1	(30,915)	587,711	1,044,558
Total Net Position (Deficit), June 30 (Note 4)	<u>\$ (31,376)</u>	<u>\$ 784,526</u>	<u>\$ 1,208,248</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 Position of business-type activities

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

		<b>Governmental Activities</b>	
<b>Nonmajor</b>	<b>Total</b>	<b>Internal Service Funds</b>	
\$ 1,390,562	\$ 4,019,386	\$ 2,187,896	
-	278,211	-	
20,112	20,407	-	
1,410,674	4,318,004	2,187,896	
455,731	598,998	64,054	
427,956	1,977,830	1,327,292	
-	180,811	-	
141,071	183,451	50,830	
83,604	134,547	475,412	
46,717	47,334	8,790	
2,932	6,049	24,086	
36,272	38,633	79,406	
-	-	8	
41,432	41,432	-	
6,866	8,483	15,850	
1,242,581	3,217,568	2,045,728	
168,093	1,100,436	142,168	
1,434	2,368	4,023	
11,767	12,266	(890)	
13,201	14,634	3,133	
181,294	1,115,070	145,301	
79	79	1,048	
(196,191)	(769,923)	(3,153)	
(14,818)	345,226	143,196	
(9,139)	1,592,215	(691,683)	
\$ (23,957)	\$ 1,937,441	\$ (548,487)	

6,935  
\$ 352,161

## Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2017

(Dollars in Thousands)

	Business-type Activities Enterprise Funds				
	Virginia Lottery	Virginia College Savings Plan		Unemployment Compensation	Nonmajor
<b>Cash Flows from Operating Activities</b>					
Receipts for Sales and Services	\$ 1,982,594	\$ 153,632	\$ 522,855	\$ 1,398,397	
Receipts from Investments	-	-	22,528	-	
Internal Activity-Receipts from Other Funds	-	-	6,452	10,346	
Internal Activity-Payments to Other Funds	-	(240)	-	(2,917)	
Payments to Suppliers for Goods and Services	(145,253)	(1,076)	-	(535,272)	
Payments for Contractual Services	(21,875)	(8,865)	-	(81,745)	
Payments for Prizes, Claims, and Loss Control (Note 36)	(1,228,244)	-	(359,748)	(424,410)	
Payments for Tuition Benefits	-	(166,057)	-	-	
Payments to Employees	(29,414)	(11,270)	-	(138,207)	
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(40,974)	
Payments for Interest	-	-	-	-	
Other Operating Revenue (Note 36)	-	-	318	5,130	
Other Operating Expense (Note 36)	-	(1,115)	-	(5,055)	
Net Cash Provided by (Used for) Operating Activities	557,808	(34,991)	192,405	185,293	
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers In from Other Funds	-	-	-	79	
Transfers Out to Other Funds	(613,037)	(935)	(2,985)	(428,975)	
Other Noncapital Financing Receipt Activities (Note 36)	100	-	44	269,578	
Other Noncapital Financing Disbursement Activities (Note 36)	-	-	-	(29,782)	
Net Cash Used for Noncapital Financing Activities	(612,937)	(935)	(2,941)	(189,100)	
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of Capital Assets	(10,557)	(123)	-	(1,828)	
Payment of Principal and Interest on Bonds and Notes	-	(575)	-	-	
Proceeds from Sale of Capital Assets	1,736	-	-	-	
Other Capital and Related Financing Receipt Activities (Note 36)	-	-	-	182	
Other Capital and Related Financing Disbursement Activities (Note 36)	-	-	-	-	
Net Cash Used for Capital and Related Financing Activities	(8,821)	(698)	-	(1,646)	
<b>Cash Flows from Investing Activities</b>					
Purchase of Investments	(183)	(872,094)	-	-	
Proceeds from Sales or Maturities of Investments	13,651	849,182	-	-	
Investment Income on Cash, Cash Equivalents, and Investments	944	61,005	-	1,224	
Net Cash Provided by Investing Activities	14,412	38,093	-	1,224	
Net Increase (Decrease) in Cash and Cash Equivalents	(49,538)	1,469	189,464	(4,229)	
<b>Cash and Cash Equivalents, July 1</b>	<b>75,828</b>	<b>77,191</b>	<b>978,866</b>	<b>164,621</b>	
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 26,290</b>	<b>\$ 78,660</b>	<b>\$ 1,168,330</b>	<b>\$ 160,392</b>	
<b>Reconciliation of Cash and Cash Equivalents</b>					
Per the Statement of Net Position:					
Cash and Cash Equivalents	\$ 26,289	\$ 78,660	\$ 1,168,330	\$ 160,183	
Cash and Travel Advances	1	-	-	209	
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 26,290</u>	<u>\$ 78,660</u>	<u>\$ 1,168,330</u>	<u>\$ 160,392</u>	

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

<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>
\$ 4,057,478	\$ 818,371
22,528	-
16,798	1,379,704
(3,157)	(13,264)
(681,601)	(143,133)
(112,485)	(475,153)
(2,012,402)	(1,381,539)
(166,057)	-
(178,891)	(50,834)
(40,974)	-
-	(8)
5,448	-
(6,170)	(14,197)
900,515	119,947
79	1,048
(1,045,932)	(3,153)
269,722	29,837
(29,782)	(34,863)
(805,913)	(7,131)
(12,508)	(34,490)
(575)	(14,816)
1,736	1,737
182	-
-	(2,231)
(11,165)	(49,800)
(872,277)	-
862,833	-
63,173	3,910
53,729	3,910
137,166	66,926
1,296,506	441,110
\$ 1,433,672	\$ 508,036
\$ 1,433,462	\$ 508,036
210	-
\$ 1,433,672	\$ 508,036

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

For the Fiscal Year Ended June 30, 2017  
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia 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)	\$ 569,110	\$ 197,715	\$ 165,518	\$ 168,093
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation	2,610	507	-	2,932
Interest, Dividends, Rents, and Other Investment Income	(5,582)	(255,636)	-	-
Miscellaneous Nonoperating Income	755	-	-	2,654
Other	(49)	(6)	-	-
<b>Change in Assets, Deferred Outflow s of Resources, Liabilities, and</b>				
<b>Deferred Inflow s of Resources</b>				
(Increase) Decrease in Accounts Receivable	(6,326)	5,196	15,827	1,827
(Increase) Decrease in Due from Other Funds	-	-	(525)	181
(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	(1,987)	-	-	(3,196)
(Increase) Decrease in Prepaid Items	(2)	(253)	-	(557)
(Increase) Decrease in Deferred Outflow s of Resources	(1,282)	(654)	-	(6,069)
Increase (Decrease) in Accounts Payable	4,864	2,547	(16)	5,151
Increase (Decrease) in Amounts Due to Other Governments	-	-	(319)	100
Increase (Decrease) in Due to Other Funds	3,174	37	(45)	(7,237)
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	5	9	-	80
Increase (Decrease) in Interfund Payables: Due Within One Year	-	-	-	10,305
Increase (Decrease) in Interfund Payables: Due in More Than One Year	-	-	-	-
Increase (Decrease) in Unearned Revenue	(951)	-	-	1,260
Increase (Decrease) in Due to Claimants, Participants, Escrow s and Providers	-	2,221	11,965	-
Increase (Decrease) in Other Liabilities	(473)	-	-	7
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	1,973
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	1,265
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(2,310)	12,724	-	(95)
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(2,556)	1,042	-	9,537
Increase (Decrease) in Deferred Inflow s of Resources	(1,192)	(440)	-	(2,918)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 557,808</u>	<u>\$ (34,991)</u>	<u>\$ 192,405</u>	<u>\$ 185,293</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the Statement of Net Position date:				
Installment Purchases Used to Finance Capital Assets	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	126,222	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 126,222</u>	<u>\$ -</u>	<u>\$ -</u>

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



	<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>	
<b>\$ 1,100,436</b>	<b>\$</b>	<b>142,168</b>
6,049		24,086
(261,218)		-
3,409		1,607
(55)		(165)
16,524		(13,253)
(344)		(1,290)
-		13,677
-		(4,386)
-		(319)
(5,183)		3,495
(812)		(4,196)
(8,005)		(4,410)
12,546		(6,158)
(219)		(910)
(4,071)		34
94		44
10,305		856
-		(587)
309		15,132
14,186		-
(466)		(112)
1,973		(9,718)
1,265		(39,284)
10,319		73
8,023		2,726
(4,550)		837
<b>\$ 900,515</b>	<b>\$</b>	<b>119,947</b>
<b>\$ -</b>	<b>\$</b>	<b>12,806</b>
126,222		-
-		1,771
<b>\$ 126,222</b>	<b>\$</b>	<b>14,577</b>

