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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 (The Plan)** administers the Prepaid529 Program, which is a defined benefit program that services 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. Eide Bailly, LLP, audits the Plan, and a separate report is issued.

**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 237 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 253 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Fund Net Position - Proprietary Funds

June 30, 2019

(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 8)	\$ 87,173	\$ 67,629	\$ 1,471,053	\$ 187,748
Assets Held Pending Distribution (Note 1)	10,691	—	—	—
Receivables, Net (Notes 1 and 9)	72,486	72,713	77,639	57,958
Due from Other Funds (Note 11)	—	—	816	998
Due from External Parties (Fiduciary Funds) (Note 11)	—	—	—	—
Due from Component Units (Note 11)	—	—	—	—
Inventory (Note 1)	9,456	—	—	85,449
Prepaid Items (Note 1)	500	785	—	2,024
Other Assets (Notes 1 and 12)	1	—	—	206
<b>Total Current Assets</b>	<b>180,307</b>	<b>141,127</b>	<b>1,549,508</b>	<b>334,383</b>
<b>Noncurrent Assets:</b>				
Investments (Notes 1 and 8)	—	2,746,184	—	—
Assets Held Pending Distribution (Note 1)	102,292	—	—	—
Receivables, Net (Notes 1 and 9)	—	159,635	—	—
Other Assets (Notes 1 and 12)	1,015	444	—	3,608
Nondepreciable Capital Assets (Notes 1 and 14)	—	—	—	10,887
Depreciable Capital Assets, Net (Notes 1 and 14)	11,806	1,045	—	16,778
<b>Total Noncurrent Assets</b>	<b>115,113</b>	<b>2,907,308</b>	<b>—</b>	<b>31,273</b>
<b>Total Assets</b>	<b>295,420</b>	<b>3,048,435</b>	<b>1,549,508</b>	<b>365,656</b>
<b>Deferred Outflows of Resources (Notes 1, 15, 16, 17, and 19)</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>299,073</b>	<b>3,050,457</b>	<b>1,549,508</b>	<b>382,825</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
<b>Current Liabilities:</b>				
Accounts Payable (Notes 1 and 26)	18,452	1,004	59	60,185
Amounts Due to Other Governments	—	—	4,486	7,925
Due to Other Funds (Note 11)	29,505	92	318	18,130
Due to External Parties (Fiduciary Funds) (Note 11)	194	83	—	711
Interfund Payable (Note 11)	—	—	—	44,995
Unearned Revenue (Note 1)	1,567	—	—	3,995
Due to Claimants, Participants, Escrows and Providers (Note 1)	—	736	63,681	—
Obligations Under Securities Lending Program (Notes 1 and 8)	59,630	190	—	12,728
Other Liabilities (Notes 1 and 27)	70,036	11,853	—	136
Claims Payable Due Within One Year (Notes 1 and 25)	—	—	—	59,221
Long-term Liabilities Due Within One Year (Notes 1, 23, and 28)	12,280	283,843	—	7,069
<b>Total Current Liabilities</b>	<b>191,664</b>	<b>297,801</b>	<b>68,544</b>	<b>215,095</b>
<b>Noncurrent Liabilities:</b>				
Interfund Payable (Note 11)	—	—	—	—
Claims Payable Due in More Than One Year (Notes 1 and 25)	—	—	—	28,637
Long-term Liabilities Due in More Than One Year (Notes 1, 23, and 28)	134,667	1,721,534	—	126,993
<b>Total Noncurrent Liabilities</b>	<b>134,667</b>	<b>1,721,534</b>	<b>—</b>	<b>155,630</b>
<b>Total Liabilities</b>	<b>326,331</b>	<b>2,019,335</b>	<b>68,544</b>	<b>370,725</b>
<b>Deferred Inflows of Resources (Notes 1, 15, 16, 17, and 19)</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>331,319</b>	<b>2,021,093</b>	<b>68,544</b>	<b>391,039</b>
<b>Net Position</b>				
Net Investment in Capital Assets	11,806	1,045	—	27,147
Restricted for Net Other Postemployment Benefit - Virginia Sickness and Disability Program	873	362	—	2,926
Restricted for Unemployment Compensation	—	—	1,480,964	—
Unrestricted	(44,925)	1,027,957	—	(38,287)
<b>Total Net Position (Deficit) (Note 4)</b>	<b>\$ (32,246)</b>	<b>\$ 1,029,364</b>	<b>\$ 1,480,964</b>	<b>\$ (8,214)</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		
\$ 1,813,603	\$	887,958	
10,691		—	
280,796		35,536	
1,814		70,474	
—		247	
—		30,391	
94,905		17,081	
3,309		12,059	
207		31,294	
2,205,325		1,085,040	
2,746,184		—	
102,292		—	
159,635		—	
5,067		2,423	
10,887		33,781	
29,629		129,178	
3,053,694		165,382	
5,259,019		1,250,422	
22,844		10,739	
5,281,863		1,261,161	
79,700		93,768	
12,411		40	
48,045		2,252	
988		431	
44,995		91,701	
5,562		105,211	
64,417		—	
72,548		55,853	
82,025		23	
59,221		206,323	
303,192		10,445	
773,104		566,047	
—		102,901	
28,637		677,648	
1,983,194		123,944	
2,011,831		904,493	
2,784,935		1,470,540	
27,060		12,883	
2,811,995		1,483,423	
39,998		122,863	
4,161		2,011	
1,480,964		—	
944,745		(347,136)	
\$ 2,469,868	\$	(222,262)	
2,109			
\$ 2,471,977			

## Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds

For the Fiscal Year Ended June 30, 2019

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Operating Revenues</b>				
Charges for Sales and Services	\$ 2,293,565	\$ 175,317	\$ 379,007	\$ 1,557,970
Interest, Dividends, Rents, and Other Investment Income	—	131,119	31,795	3
Other (Note 29)	—	—	193	21,991
Total Operating Revenues	2,293,565	306,436	410,995	1,579,964
<b>Operating Expenses</b>				
Cost of Sales and Services	165,372	—	—	544,849
Prizes and Claims (Note 31)	1,399,749	—	273,566	476,936
Tuition Benefits Expense	—	32,089	—	—
Personal Services	30,032	12,370	—	143,839
Contractual Services	40,921	12,733	—	88,683
Supplies and Materials	460	62	—	8,405
Depreciation	3,264	227	—	2,990
Rent, Insurance, and Other Related Charges	2,561	897	—	38,998
Interest Expense	—	—	—	—
Non-recurring Cost Estimate Payments to Providers	—	—	—	42,066
Other (Note 32)	—	2,856	—	3,405
Total Operating Expenses	1,642,359	61,234	273,566	1,350,171
Operating Income	651,206	245,202	137,429	229,793
<b>Nonoperating Revenues (Expenses)</b>				
Interest, Dividends, Rents, and Other Investment Income	2,173	8	—	4,178
Other (Note 33)	82	(34)	—	8,691
Total Nonoperating Revenues (Expenses)	2,255	(26)	—	12,869
Income Before Transfers	653,461	245,176	137,429	242,662
Transfers In (Note 34)	—	—	—	121
Transfers Out (Note 34)	(651,659)	(381)	(1,480)	(221,997)
Change in Net Position	1,802	244,795	135,949	20,786
Total Net Position (Deficit), July 1	(34,048)	784,569	1,345,015	(29,000)
Total Net Position (Deficit), June 30 (Note 4)	\$ (32,246)	\$ 1,029,364	\$ 1,480,964	\$ (8,214)

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>Total</b>		<b>Internal Service Funds</b>	
\$ 4,405,859	\$	2,429,579	
162,917		—	
22,184		—	
4,590,960		2,429,579	
710,221		59,207	
2,150,251		1,472,386	
32,089		—	
186,241		54,709	
142,337		502,761	
8,927		8,509	
6,481		25,273	
42,456		98,340	
—		44	
42,066		—	
6,261		10,835	
3,327,330		2,232,064	
1,263,630		197,515	
6,359		16,167	
8,739		(1,523)	
15,098		14,644	
1,278,728		212,159	
121		388	
(875,517)		(7,630)	
403,332		204,917	
2,066,536		(427,179)	
\$ 2,469,868	\$	(222,262)	
2,167			
\$ 405,499			

## Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2019

(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	\$ 2,290,189	\$ 158,738	\$ 394,345	\$ 1,561,565
Receipts from Investments	—	—	31,827	—
Internal Activity-Receipts from Other Funds	—	—	2,954	9,737
Internal Activity-Payments to Other Funds	—	(243)	—	(3,202)
Payments to Suppliers for Goods and Services	(164,681)	(665)	—	(609,679)
Payments for Contractual Services	(34,811)	(12,616)	—	(86,219)
Payments for Prizes, Claims, and Loss Control (Note 36)	(1,418,938)	—	(282,473)	(471,856)
Payments for Tuition Benefits	—	(177,248)	—	—
Payments to Employees	(31,806)	(12,650)	—	(150,264)
Payments to Providers for Non-recurring Cost Estimates	—	—	—	(41,486)
Other Operating Revenue (Note 36)	—	—	152	5,206
Other Operating Expense (Note 36)	—	(2,185)	—	(2,265)
Net Cash Provided by (Used for) Operating Activities	639,953	(46,869)	146,805	211,537
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In from Other Funds	—	—	—	121
Transfers Out to Other Funds	(634,354)	(381)	(1,293)	(474,662)
Other Noncapital Financing Receipt Activities (Note 36)	399	—	5	306,527
Other Noncapital Financing Disbursement Activities (Note 36)	—	—	—	(40,469)
Net Cash Provided by (Used for) Noncapital Financing Activities	(633,955)	(381)	(1,288)	(208,483)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(2,135)	(535)	—	(9,584)
Payment of Principal and Interest on Bonds and Notes	—	—	—	(62)
Proceeds from Sale of Capital Assets	7	—	—	—
Net Cash Used for Capital and Related Financing Activities	(2,128)	(535)	—	(9,646)
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	(2,144)	(857,004)	—	—
Proceeds from Sales or Maturities of Investments	10,755	807,441	—	—
Investment Income on Cash, Cash Equivalents, and Investments	1,856	93,504	—	3,664
Net Cash Provided by Investing Activities	10,467	43,941	—	3,664
Net Increase (Decrease) in Cash and Cash Equivalents	14,337	(3,844)	145,517	(2,928)
Cash and Cash Equivalents, July 1	13,207	71,283	1,325,536	178,154
Cash and Cash Equivalents, June 30	\$ 27,544	\$ 67,439	\$ 1,471,053	\$ 175,226
<b>Reconciliation of Cash and Cash Equivalents</b>				
Per the Statement of Net Position:				
Cash and Cash Equivalents	\$ 87,173	\$ 67,629	\$ 1,471,053	\$ 187,748
Cash and Travel Advances	1	—	—	206
Less:				
Securities Lending Cash Equivalents	(59,630)	(190)	—	(12,728)
Cash and Cash Equivalents per the Statement of Cash Flows	\$ 27,544	\$ 67,439	\$ 1,471,053	\$ 175,226

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

		Governmental Activities	
Total		Internal Service Funds	
\$ 4,404,837	\$ 866,929		
31,827	—		
12,691	1,515,187		
(3,445)	(13,022)		
(775,025)	(163,550)		
(133,646)	(494,729)		
(2,173,267)	(1,513,333)		
(177,248)	—		
(194,720)	(59,615)		
(41,486)	—		
5,358	—		
(4,450)	(10,011)		
951,426	127,856		
121	388		
(1,110,690)	(7,630)		
306,931	155,943		
(40,469)	(98,201)		
(844,107)	50,500		
(12,254)	(7,827)		
(62)	(7,766)		
7	2,059		
(12,309)	(13,534)		
(859,148)	—		
818,196	—		
99,024	14,539		
58,072	14,539		
153,082	179,361		
1,588,180	652,744		
\$ 1,741,262	\$ 832,105		
\$ 1,813,603	\$ 887,958		
207	—		
(72,548)	(55,853)		
\$ 1,741,262	\$ 832,105		

Continued on next page

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

For the Fiscal Year Ended June 30, 2019

(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)	\$ 651,206	\$ 245,202	\$ 137,429	\$ 229,793
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for) Operating Activities:</b>				
Depreciation	3,264	227	—	2,990
Interest, Dividends, Rents, and Other Investment Income	(5,109)	(131,119)	—	—
Miscellaneous Nonoperating Income	—	—	—	—
Other	—	(14)	—	(783)
<b>Change in Assets, Deferred Outflows of Resources, Liabilities, and</b>				
<b>Deferred Inflows of Resources</b>				
(Increase) Decrease in Accounts Receivable	(3,401)	(14,620)	8,636	(5,118)
(Increase) Decrease in Due from Other Funds	—	—	80	(222)
(Increase) Decrease in Due from External Parties (Fiduciary Funds)	—	—	—	—
(Increase) Decrease in Due from Component Units	—	—	—	—
(Increase) Decrease in Other Assets: Due Within One Year	—	—	—	—
(Increase) Decrease in Other Assets: Due in More Than One Year	(72)	(51)	—	(412)
(Increase) Decrease in Inventory	690	—	—	(521)
(Increase) Decrease in Prepaid Items	731	536	—	1,685
(Increase) Decrease in Deferred Outflows of Resources	199	(133)	—	(1,839)
Increase (Decrease) in Accounts Payable	6,370	(1,677)	(12)	(32,110)
Increase (Decrease) in Amounts Due to Other Governments	—	—	(81)	5,493
Increase (Decrease) in Due to Other Funds	(4,569)	(12)	32	1,204
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	5	4	—	(1)
Increase (Decrease) in Interfund Payables: Due Within One Year	—	—	—	5,075
Increase (Decrease) in Unearned Revenue	26	—	—	1,027
Increase (Decrease) in Due to Claimants, Participants, Escrows and Providers	—	(1,407)	721	—
Increase (Decrease) in Other Liabilities	(4,032)	—	—	(83)
Increase (Decrease) in Claims Payable: Due Within One Year	—	—	—	6,556
Increase (Decrease) in Claims Payable: Due in More Than One Year	—	—	—	2,338
Increase (Decrease) in Long-term Liabilities: Due Within One Year	310	1,751	—	1,331
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(7,048)	(146,022)	—	(9,454)
Increase (Decrease) in Deferred Inflows of Resources	1,383	466	—	4,588
Net Cash Provided by (Used for) Operating Activities	<u>\$ 639,953</u>	<u>\$ (46,869)</u>	<u>\$ 146,805</u>	<u>\$ 211,537</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	\$ —	\$ —	\$ —	\$ 570
Change in Fair Value of Investments	—	1,367	—	—
Accounts Payable Increase (Decrease) related to Capital Assets	—	—	—	—
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ 1,367</u>	<u>\$ —</u>	<u>\$ 570</u>

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

<u>Total</u>	<u>Governmental Activities</u>	
	<u>Internal Service Funds</u>	
\$ 1,263,630	\$	197,515
6,481		25,273
(136,228)		—
—		22
(797)		83
(14,503)		(13,172)
(142)		(12,188)
—		(15)
—		844
—		(17,070)
(535)		(204)
169		(614)
2,952		(1,643)
(1,773)		(50)
(27,429)		(13,525)
5,412		(89)
(3,345)		421
8		(26)
5,075		—
1,053		(6,889)
(686)		—
(4,115)		(200)
6,556		12,913
2,338		(38,959)
3,392		577
(162,524)		(6,544)
6,437		1,396
<u>\$ 951,426</u>	<u>\$</u>	<u>127,856</u>
\$ 570	\$	6,732
1,367		—
—		(568)
<u>\$ 1,937</u>	<u>\$</u>	<u>6,164</u>

