Virginia College Savings Plan

Annual Report for the Period Ended
June 30, 2005

-T A B L E O F C O N T E N T S-

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The Virginia College Savings Plan's Management Discussion and Analysis is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist the reader in focusing on significant financial issues and provides an overview of financial activity. This discussion includes an analysis of the Plan's financial condition and results of operations for the fiscal year ended June 30, 2005. Since this presentation includes summarized data, it should be read in conjunction with the accompanying financial statements and notes.

The Virginia College Savings Plan (the Plan) operates the Commonwealth's Internal Revenue Code (IRC) Section 529 qualified tuition program, which offers three options, the Virginia Prepaid Education Program (VPEP), the Virginia Education Savings Trust (VEST), and CollegeAmerica. VPEP is considered a defined benefit plan which offers contracts, for actuarially determined amounts, guaranteeing full future tuition and mandatory fee payments at the Commonwealth's higher education institutions and differing payouts at private or out-of-state institutions. Annually, the Plan's actuary determines the actuarial soundness of VPEP. Key factors used in the soundness analysis include potential tuition increases (both short and long-term) as well as anticipated investment performance.

VEST is a defined contribution program which allows participants to make contributions into their selected investment portfolio(s). VEST accounts are subject to market investment risk, including the possible loss of principal. CollegeAmerica is also a defined contribution plan which offers 21 different American Funds mutual fund products as investment options. CollegeAmerica participants also bear all market risk for their investment, including the potential loss of principal. The American Funds acts as program manager for this program and provides all back office and operational activities for the program.

Financial Highlights

- Total VPEP cash, cash equivalents, and investments increased by $266.4 million, or 33.1 percent, due to both new participation in the program and continued favorable market conditions.
- VPEP's actuarially determined tuition benefits payable liability increased by $272.7 million, or 23.6%, which was primarily due to the additional obligation for over 11,000 new contracts opened during the 2004 – 2005 enrollment period.
- VPEP's total net assets increased by $68.3 million to a deficit $60.0 million as compared to a deficit $128.3 million in the prior year.
- VEST net assets held in trust for program participants increased by $138 million or about 33 percent, which was due to strong investor participation and continued favorable market conditions.
- CollegeAmerica net assets held in trust for program participants increased more than 54 percent over the previous year to $11.0 billion, due to the continued popularity of the program as well as favorable market conditions. CollegeAmerica remained the largest IRC Section 529 program in the nation at June 30, 2005.

Overview of Financial Statements

This discussion and analysis is an introduction to the Plan's basic financial statements, which includes the Plan's business-type activity or enterprise fund, the fiduciary or private purpose trust funds, and the notes to the financial statements.

Business-Type Activity

All VPEP activities are accounted for in an enterprise fund, which is used to account for governmental operations that are financed and operated in a manner similar to a private sector business. Enterprise funds report activities that charge fees for supplies or services to the general public. This activity is reported on the full accrual basis of accounting. This means that all revenue and expenses are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

The Statement of Net Assets presents information on all VPEP assets and liabilities, with the difference between the two reported as total net assets. Over time, increases and decreases in net assets indicate whether VPEP's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year, including both actual as well as actuarially determined contributions from participants and distributions for higher education expenses.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, financing, and investing activities.

Fiduciary Funds

VEST and CollegeAmerica are reported as private purpose trust funds. Private purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations or other governments, and use the full accrual basis of accounting. The activities of the Plan's private purpose trust funds are reported in the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Analysis of Enterprise Fund Financial Activities

VPEP's net liabilities exceeded assets by $60.0 million during the fiscal year. Table 1 reflects the condensed Statement of Net Assets for fiscal year 2005 compared to fiscal year 2004.

Table 1
Statement of Net Assets as of June 30, 2005 and 2004
(dollars in millions)

	2005	2004
Current assets	$ 171.2	$ 160.0
Investments	975.9	703.6
Other noncurrent assets	234.0	169.9
Total assets	1,381.1	1,033.5
Current liabilities	71.5	48.9
Noncurrent liabilities	1,369.6	1,112.9
Total liabilities	1,441.1	1,161.8
Net assets:		
Invested in capital assets	0.1	0.2
Unrestricted	(60.1)	(128.5)
Total net assets	$ (60.0)	$ (128.3)

Overall the net assets increased by approximately $68.3 million.

Current assets increased by $11.2 million over the previous year. This was due to several factors. Cash and cash equivalents, which includes short-term investments, decreased by $12.5 million and may be attributed to the short-term investment decisions made by selected VPEP investment managers who elected to hold fewer short-term, liquid investments at year end. This decrease was offset by an increase of $6.6 million in the cash equivalents and investments held by the Treasurer of Virginia as part of the Commonwealth's securities lending program. Current Tuition contributions receivable increased over the prior year by $15.8 million and represented the increase in the actuarially determined amount expected to be collected from contract holders of record in the coming fiscal year. The increase can be attributed to a number of participants selecting the monthly payment option for their new VPEP contracts. Finally, interest and accounts receivable together increased a total of $1.3 million to offset the decrease in cash and cash equivalents.

Investments increased by $272.3 million, or approximately 38.7 percent, due in part to strong investment performance during the fiscal year. In addition, actual tuition contributions into the program, which are invested by the Plan, increased over the prior year due to lump sum/down payments on new contracts as well as continued participation by existing contract holders.

Other noncurrent assets increased by $64.1 million, or 37.7 percent, primarily due to the increase in the noncurrent portion of the tuition contributions receivable. Again, this represents the increase in the actuarially determined amount expected to be collected from contract holders of record in future years.

The total tuition benefits payable increased by $272.7 million, or approximately 23.6 percent, and reflects the change in the actuarial present value of the future tuition obligation. Changes in the present value of the future tuition benefit obligation can be attributed to the changes in the present value discount due to the passage of time, differences between actual experience and the actuarial assumptions used, and any modification of the actuarial assumptions. However, this substantial increase in the tuition benefits payable is primarily due to the additional estimated obligation for over 11,000 new contracts issued during the 2004 – 2005 enrollment period.

During fiscal year 2005, VPEP's actuarial deficit position, as calculated by the Plan's actuary and reported in the 2005 Actuarial Valuation Report, improved by $68.4 million, from a deficit of $128.4 million to a deficit of $60.0 million. This improvement is mostly attributable to lower than expected tuition increases, an investment gain, and revenue from new sales. Average tuition rates for the 2005-2006 academic year increased approximately 7.8 percent for universities and 6.4 percent for community colleges, which was below the 10 percent and 7 percent rates assumed in the prior valuation. This resulted in an actuarial gain of $27 million.

The Plan sold over 11,000 new contracts during the year. Each contract was priced so as to add to the Plan's reserve. The estimated reserve was increased by approximately $31.0 million from these new contracts.

The return on investments for the fiscal year was 10.7 percent on a time-weighted basis and 10.2 percent on a dollar-weighted basis. For the June 30, 2004 actuarial valuation, a 7.0 percent return was assumed. This produced a net actuarial gain of approximately $29.2 million.

The tuition growth assumption was changed from 10 percent for one year, 8 percent for two years, and 7 percent thereafter for university tuition, to 8 percent for four years and 7 percent thereafter. The community college assumption remained unchanged from 7 percent for all years. In addition, the bias used by the actuaries to calculate matriculation rates at the more expensive schools was adjusted slightly for the 2005 valuation. The net change in these assumptions increased the present value of obligations and the actuarial deficit by $19.2 million.

The Plan received administrative fee revenue from all the Plan's programs, including CollegeAmerica. This decreased the deficit by $11.2 million. In addition, it was projected that the actuarial deficit would grow during the year by approximately $9.0 million due to the passage of time. This is due to the calculation of the obligations as present values which grow with interest with the passage of time.

The overall effect of the changes on the actuarial reserve (deficit) are summarized in the following table. Please note that the 2005 Actuarial Valuation Report may be obtained from the Plan.

Table 2
(amounts in millions)

Actuarial reserve (deficit) at June 30, 2004	$ (128.4)
Tuition gain (loss)	27.0
Investment gain (loss)	29.2
Sales of new contracts	31.0
Change in assumptions	(19.2)
Net Administrative Fee Revenue from VCSP	11.2
Interest on prior deficit at 7.00%	(9.0)
Miscellaneous	(1.8)
Actuarial reserve (deficit) at June 30, 2005	$ (60.0)

Table 3 reflects a condensed Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year 2005 as compared to the prior year.

Table 3
Statement of Revenues, Expenses, and Changes
in Net Assets for June 30, 2005 and 2004
(dollars in millions)

	2005	2004
Operating revenues:		
Interest and dividends	$ 46.8	$ 27.5
Net increase (decrease) of fair value of investments	39.7	70.7
Tuition contributions	279.1	1.4
Other	13.8	7.9
Total operating revenue	379.4	107.5
Operating expenses:		
Personal services	3.1	2.3
Contractual services	3.2	1.5
Tuition benefits expense	304.0	(1.1)
Other	0.7	0.5
Total operating expenses	311.0	3.2
Operating income (loss)	68.4	104.3
Transfer to Commonwealth	(0.1)	(0.1)
Change in net assets	68.3	104.2
Net assets – beginning	(128.3)	(232.5)
Net assets – ending	$ (60.0)	$ (128.3)

Market conditions remained positive throughout most of the fiscal year and VPEP investments continued to do well, with an increase in interest, dividends, and realized gains of approximately $19.3 million, or 70 percent. However, the net increase in fair value reported this year as compared to last decreased by approximately $31 million, or 43.8%. Investment fair value changes on a daily basis depending upon market conditions each day. Because of a slight downturn in the markets during the last weeks of the fiscal year, the asset value of the overall VPEP portfolio was less than in previous weeks during the fiscal year. Consequently, the calculated difference between the cost and fair value of the Plan's investment portfolio at June 30, 2005 was less than that in previous years.

Actual tuition contributions from participants increased by $70.5 million over prior year receipts as a result of lump sum/down payments on new contracts as well as continued participation by existing contract holders. Actuarially estimated tuition contributions also increased significantly as a result of the sale of new contracts during the fiscal year. There were no new contract sales in the prior year.

Tuition benefits expense includes both actual distributions made to higher education institutions on behalf of program participants and the amount accrued for estimated expenses, which is determined by the Plan's actuaries. In 2004, this amount decreased due to a net estimated reduction in liability for existing contracts. Conversely, in 2005, new contract sales caused a significant increase in the actuarially determined liability. In addition, actual tuition benefits paid during the fiscal year increased by $12.2 million.

Table 4 reflects the condensed Statement of Cash Flows.

Table 4
Statement of Cash Flows for June 30, 2005 and 2004
(dollars in millions)

	2005	2004
Cash provided (used) by:		
Operating activities	$ 174.1	$ 112.2
Noncapital financing activity	(0.1)	(0.1)
Investing activities	(186.5)	(94.8)
Net increase (decrease) in cash	(12.5)	17.3
Cash – beginning of year	98.8	81.5
Cash – end of year	$ 86.3	$ 98.8

As stated previously, major sources of cash from operating activities in fiscal year 2005 included an increase in contributions from participants due to lump sum/down payments from new accounts as well as continued contributions to existing accounts of $70.5 million. In addition, the continued growth of CollegeAmerica was primarily the source of the $5.9 million increase in the overall administrative fee revenues collected by VCSP. The Plan receives 10 basis points annually in administrative fees, which is accumulated daily and paid on a quarterly basis based on the daily market value of total assets in CollegeAmerica. However, tuition benefit payments to higher education institutions on behalf of participants offset some of the cash inflows in 2005. Benefits payments increased by approximately $12.2 million when compared to the previous year. Additionally, the Plan's contractual services outflows also increased during the fiscal year and can be attributed to marketing and other costs associated with the 2004 – 2005 VPEP enrollment period.

The change in the amount reflected as investing activities for 2005 represents a net increase in the purchasing of investments and is primarily attributable to the investment of new contributions received and interest earnings realized during the fiscal year.

Analysis of Fiduciary Fund Financial Activities

Participation in the VEST program remained steady during the fiscal year. However, contributions were down over the previous year by approximately $5.4 million. Contributions represented participation from new account holders as well as continued contributions from existing participants. Due to continued favorable market conditions during the fiscal year, interest earnings, dividends, and realized gains on investments increased by $3.5 million, or approximately 28.7 percent, over the prior year. As anticipated, overall deductions increased slightly, by approximately 4.6%, as more participants withdrew funds to cover tuition expenses.

Assets under management in CollegeAmerica, which launched February 15, 2002, increased by 54.5 percent during the fiscal year, from $7.1 billion to $11.0 billion. New unique accounts opened during the year were approximately 267,000. As expected, the total of tuition benefits paid and shares redeemed in CollegeAmerica increased this fiscal year over last, by over $102.8 million, as more and more beneficiaries become eligible to use their benefits. CollegeAmerica remained the largest broker-sold IRC Section 529 program in the country.

Economic Factors and Outlook

The Plan remains reasonably optimistic that market conditions over the long term will be positive. However, recent national events could be cause for a short to intermediate-term economic slowdown. If this occurs, the Plan's short-term investment growth could be similarly affected. It is expected that tuition and fee increases at Virginia's public higher education institutions will continue to be somewhat volatile over the next few years. However, with the passage of legislation during the 2005 General Assembly Session requiring the institutions to submit six-year tuition growth projections, the Plan should be in a much better position to prepare for future tuition increases. New enrollment during the 2005 – 2006 VPEP enrollment period should increase cash and the asset base of the Plan. However, new enrollment will also add to the future tuition benefit obligation of the program.

FINANCIAL STATEMENTS

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF NET ASSETS - ENTERPRISE FUND
VIRGINIA PREPAID EDUCATION PROGRAM
As of June 30, 2005

ASSETS	
Current assets:	
Cash and cash equivalents (Note 1D and 2)	$ 86,277,893
Cash Equivalents held by the Treasurer of Virginia (Note 3)	7,756,747
Investments held by the Treasurer of Virginia (Note 3)	1,648,260
Interest receivable	2,556,579
Tuition contributions receivable (Note 1E)	70,300,000
Accounts receivable (Note 1F)	2,611,302
Total current assets	171,150,781
Noncurrent assets:	
Investments (Note 1D and 2)	975,900,971
Tuition contributions receivable (Note 1E)	233,883,384
Depreciable capital assets, net (Note 1G and 6)	119,658
Total noncurrent assets	1,209,904,013
Total assets	1,381,054,794
LIABILITIES	
Current liabilities:	
Accounts payable	1,054,411
Due to program participants (Note 1H)	3,077
Obligations under securities lending (Note 3)	9,405,007
Tuition benefits payable (Note 5)	60,900,000
Compensated absences (Note 1I and 5)	134,944
Total current liabilities	71,497,439
Noncurrent liabilities:	
Tuition benefits payable (Note 5)	1,369,483,384
Compensated absences (Note 1I and 5)	69,755
Total noncurrent liabilities	1,369,553,139
Total liabilities	1,441,050,578
NET ASSETS	
Invested in capital assets, net of related debt	119,658
Unrestricted (Note 9)	(60,115,442)
Total net assets	$ (59,995,784)

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

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND - VIRGINIA PREPAID EDUCATION PROGRAM
For the Fiscal Year Ended June 30, 2005

Operating revenues:	
Charges for sales and services	$ 13,829,040
Interest, dividends, rents, and other investment income	46,792,031
Net increase in fair value of investments	39,712,546
Tuition contributions (Note 7)	199,085,857
Actuarial tuition contributions (Note 7)	79,971,767
Total operating revenues	379,391,241
Operating expenses:	
Personal services	3,063,794
Contractual services	3,164,680
Supplies and materials	44,298
Depreciation	63,963
Rent, insurance, and other related charges	223,624
Tuition benefits expense (Note 7)	31,328,581
Actuarial tuition benefits expense	272,671,767
Expendable equipment	44,100
Other	381,084
Total operating expenses	310,985,891
Operating income	68,405,350
Transfers:	
Transfers to the General Fund of the Commonwealth	(121,348)
Total transfers	(121,348)
Change in net assets	68,284,002
Net assets - July 1, 2004	(128,279,786)
Net assets - June 30, 2005	$ (59,995,784)

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

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF CASH FLOWS
ENTERPRISE FUND - VIRGINIA PREPAID EDUCATION PROGRAM
For the Fiscal Year Ended June 30, 2005

Cash flows from operating activities:	
Receipts for sales and services	$ 12,910,653
Payments to suppliers for goods and services	(517,791)
Payments to employees	(2,985,758)
Tuition contributions received	198,974,715
Payments for contractual services	(2,910,260)
Tuition benefit payments	(31,328,581)
Net cash provided by (used for) operating activities	174,142,978
Cash flows from noncapital financing activities:	
Transfer to the General Fund of the Commonwealth	(121,348)
Net cash provided by (used for) noncapital financing activities	(121,348)
Cash flows from capital and related financing activities:	
Acquisition of fixed assets	(21,376)
Net cash provided by (used for) capital and related financing activities	(21,376)
Cash flows from investing activities:	
Purchase of investments	(1,606,004,796)
Proceeds from sales or maturities of investments	1,373,423,457
Interest income on cash, cash equivalents, and investments	46,054,364
Net cash provided by (used for) investing activities	(186,526,975)
Net decrease in cash and cash equivalents	(12,526,721)
Cash and cash equivalents - July 1, 2004	98,804,614
Cash and cash equivalents - June 30, 2005	$ 86,277,893

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
VIRGINIA PREPAID EDUCATION PROGRAM (continued)
For the Fiscal Year Ended June 30, 2005

Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	$ 68,405,350
Adjustments to reconcile operating income to net cash provided	
by (used for) operating activities:	
Depreciation	63,963
Interest, dividends, rents and other investment income	(46,054,364)
Net increase in fair value of investments	(39,712,546)
Changes in assets and liabilities:	
(Increase) decrease in receivables	(1,293,794)
(Increase) decrease in tuition contributions receivable	(79,971,767)
Increase (decrease) in accounts payable	127,868
Increase (decrease) in amounts due to program participants	(130,079)
Increase (decrease) in current tuition benefits payable	16,000,000
Increase (decrease) in current compensated absences	34,224
Increase (decrease) in noncurrent tuition benefits payable	256,671,767
Increase (decrease) in noncurrent compensated absences	2,356
Net cash provided by (used for) operating activities	$ 174,142,978

Noncash investing, capital, and financing activities:	
The following transaction occurred prior to the statement of net assets date:	
Change in fair value of investments	$ 39,712,546

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

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF FIDUCIARY NET ASSETS -
PRIVATE-PURPOSE TRUST FUNDS
As of June 30, 2005

	Virginia Education Savings Trust	CollegeAmerica	Total
Assets:			
Cash and cash equivalents (Note 1D and 2)	$ 5,043,789	$ -	$ 5,043,789
Receivables:			
Contributions	3,075	-	3,075
Interest and dividends	498,107	-	498,107
Investments: (Note 1D and 2)			
Mutual funds	298,374,319	11,014,844,824	11,313,219,143
Index funds	143,018,111	-	143,018,111
Guaranteed investment contracts	69,725,410	-	69,725,410
Common stock	40,196,953	-	40,196,953
Total investments	551,314,793	11,014,844,824	11,566,159,617
Total assets	556,859,764	11,014,844,824	11,571,704,588
Liabilities:			
Accounts payable	120,380	-	120,380
Total liabilities	120,380	-	120,380
Net assets held in trust for program participants	$ 556,739,384	$ 11,014,844,824	$ 11,571,584,208

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

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2005

	Virginia Education Savings Trust	CollegeAmerica	Total
Additions:			
Contributions:			
From participants	$ 127,481,997	$ 3,719,832,761	$ 3,847,314,758
Charges for services	221,785	-	221,785
Total Contributions	127,703,782	3,719,832,761	3,847,536,543
Investment income:			
Net increase in fair value of investments	23,867,029	512,536,159	536,403,188
Interest, dividends, and other investment income	15,715,590	217,882,240	233,597,830
Total investment income	39,582,619	730,418,399	770,001,018
Less investment expenses	(3,197,133)	(10,097,618)	(13,294,751)
Net investment income	36,385,486	720,320,781	756,706,267
Total additions	164,089,268	4,440,153,542	4,604,242,810
Deductions:			
Tuition benefits paid	21,780,617	191,852,058	213,632,675
Shares redeemed	4,289,034	355,371,966	359,661,000
Administrative expenses	221,919	8,925,159	9,147,078
Total deductions	26,291,570	556,149,183	582,440,753
Net increase	137,797,698	3,884,004,359	4,021,802,057
Net assets held in trust for program participants:			
July 1, 2004	418,941,686	7,130,840,465	7,549,782,151
June 30, 2005	$ 556,739,384	$ 11,014,844,824	$ 11,571,584,208

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

NOTES TO FINANCIAL STATEMENTS

VIRGINIA COLLEGE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Virginia College Savings Plan (the Plan), an independent agency of the Commonwealth of Virginia, was created in 1994 by the Virginia General Assembly and its enabling legislation is codified at §23-38.75 through §23-38.87 of the Code of Virginia, as amended. The Plan operates the Commonwealth's IRC §529 qualified tuition program, which offers three options, the Virginia Prepaid Education Program (VPEP), the Virginia Education Savings Trust (VEST), and CollegeAmerica.

VPEP is a defined benefit program, which offers contracts, for actuarially determined amounts, guaranteeing full future tuition and mandatory fee payments at Virginia higher education institutions. The contract provisions also allow benefits to be used at private or out-of-state institutions with a payout based on the amounts charged by Virginia's higher education institutions. VPEP has a limited enrollment period each year, and is open to children in the ninth grade or younger if the child or participant is a Virginia resident. Since inception, over 79,400 accounts have been opened, with approximately 67,500 contracts remaining active at year-end. The program had contributions and net earnings of approximately $1.1 billion as of June 30, 2005. The program invests contract payments to meet future obligations. Operating costs are paid from program earnings. The Plan does not receive any general fund appropriations. The program's assets and income are exempt from federal, state, and local income taxation. Legislation was passed in 1998 to provide a financial guarantee to cover VPEP contractual obligations in the event of a funding shortfall.

VEST is a defined contribution program, which allows participants of all ages to save for qualified higher education expenses, including tuition and fees, at any qualified higher education institution by making contributions into the investment portfolio(s) of their choice. New participants are allowed to select from among 11 investment portfolios. A twelfth portfolio is still actively traded in the VEST program but is closed to new participation. The VEST program, which is open year round, has no age or residency restrictions, and carries no legislative guarantee of return of principal. VEST accounts are subject to market investment risk, including the possible loss of principal. VEST began operation in December 1999. As of June 30, 2005, over 62,500 accounts have been opened with a net asset value of approximately $556 million. Investment management fees and VEST operating expenses are paid on a pro-rata basis by each VEST account owner and vary according to the portfolio selected. VEST accounts provide investors with the same federal and state tax benefits available to participants in the prepaid program.

In 2001, the Board of the Virginia College Savings Plan entered into a 15-year contract with Capital Research and Management Company, American Funds Distributors, Inc., and American Funds Service Company, Inc. (together, the American Funds) to administer a broker-sold IRC §529 college savings option using 21 of the American Funds. This program, called CollegeAmerica, is a defined contribution plan which launched on February 15, 2002. The American Funds acts as program manager and provides all back office and operational activities for the program. As a result of this structure, the Plan's staff has minimal day-to-day administrative responsibility, other than program oversight and review.

Like VEST, CollegeAmerica allows participants of all ages to save for qualified higher education expenses by selecting from among the 21 offered funds. CollegeAmerica is available year round, has no age or residency restrictions, and carries no legislative guarantee of return of principal. Accounts are subject to market risk, including the possible loss of principal. As of June 30, 2005, approximately 977,000 unique accounts had been opened with net assets in excess of $11 billion. (A unique account represents all accounts with the same contributor and beneficiary combination.) Fees and expenses of the program are also paid on a pro-rata basis by each account owner and vary according to the fund and share class selected. CollegeAmerica provides investors with the same federal and state tax benefits available to participants in VPEP and VEST.

While CollegeAmerica activity is reflected in total in this report, a separate audited report for each of the 21 funds offered in the CollegeAmerica program is published annually by the American Funds. Each of the funds has a different year ending date, so these audited reports are published throughout the year. An individual fund audit report includes that fund's results for all share classes offered in the fund, including the five IRC §529 share classes created for the CollegeAmerica program. These individual fund reports are available from the American Funds.

An eight-member Board administers the Plan, consisting of four members who sit on the Board by virtue of the state offices they hold and four citizen members appointed by the Governor. The ex-officio members are the Executive Director of the State Council of Higher Education for Virginia, the Chancellor of the Virginia Community College System, the State Treasurer, and the State Comptroller. State law mandates that the four citizen members have significant experience in finance, accounting, and investment management.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Plan is an integral part of the reporting entity of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The following is a summary of significant accounting policies employed by the Virginia College Savings Plan.

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Account Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

B. Reporting Entity

The accompanying financial statements report the financial position, and the changes in financial position and cash flows of the Plan as of and for the fiscal year ended June 30, 2005. For financial reporting purposes, the Plan includes all funds and entities over which the Plan exercises or has the ability to exercise oversight authority.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Plan reports the activity of the Virginia Prepaid Education Program as an enterprise fund, which is a type of proprietary fund. Enterprise funds account for transactions related to resources received and used for financing self-supporting activities of the Plan that offer products and services on a user-charge basis to external users. All operating expenses and all administrative fee revenue collected to support Plan operations, including administrative revenue and expenses of VEST and CollegeAmerica, are reflected in the enterprise fund.

The Plan reports the activity of the Virginia Education Savings Trust and CollegeAmerica as private-purpose trust funds, which is a type of fiduciary fund. Private-purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments.

The financial statements of the proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating. The principal operating revenues of the Plan are tuition contributions for program participants and investment income. Operating expenses of the plan include tuition benefits expense and contractual and personal services.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for using proprietary fund activities. All proprietary funds reported herein apply all applicable Governmental Accounting Standards Board pronouncements and all Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

D. Cash Equivalents and Investments

Money market investments of the Plan, which are deemed short-term, highly liquid investments, are reported at amortized cost. Long-term investments of the Plan are recorded at fair value based upon quoted market prices. Cash equivalents are investments with an original maturity of three months or less.

The Plan also participates in the Commonwealth's General Account pool, which is managed by the State Treasurer. These pooled investments are valued on an amortized cost basis. The Plan receives income on a quarterly basis from the Commonwealth based on the Plan's relative participation during the quarter. The Plan receives no additional distribution of unrealized gains or losses in the fair values of the pool's investments.

E. Tuition Contributions Receivable

Tuition contributions receivable in VPEP represents the actuarially determined present value of future payments anticipated from contract holders.

F. Accounts Receivable

Accounts receivable reflected in VPEP include the amount due from the American Funds for second quarter administrative fees collected on behalf of the Plan from the CollegeAmerica program. The American Funds pays the Plan an annual fee equal to one tenth of one percent (.10 percent) of the average daily net asset value of the underlying funds held in CollegeAmerica. This fee is accrued daily and paid to the Plan on a quarterly basis.

G. Capital Assets

Fixed assets are capitalized and depreciated on a straight-line basis over their useful lives. Fixed assets are valued at historical cost. The Plan capitalizes all property, plant, and equipment that have a cost or value greater than $5,000 and an expected useful life of greater than two years; however, all computer equipment is capitalized regardless of cost or value. Equipment currently owned by the Plan has an estimated useful life of five years.

H. Amounts Due To Program Participants

Amounts due to program participants reflects amounts due to participants who cancelled or overpaid prepaid tuition contracts prior to June 30, 2005, but had not yet received a refund.

I. Accrued Leave Policy

Employees accrue annual leave at a rate of four to nine hours semi-monthly, depending on their length of service. The maximum accumulation is dependent upon years of service, but in no case may it exceed 42 days. All employees leaving the agency are paid for accrued vacation leave up to the maximum calendar year limit at their current earnings rate.

In conformance with Section C60 of GASB Codification, the monetary value of accumulated annual leave payable upon termination is included in the accompanying financial statements. The liability at June 30, 2005, was computed using salary rates effective at that date and represents vacation and compensatory leave earned up to the allowable ceilings. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, included in the liability is the agency's share of FICA taxes on leave balances for which employees will be compensated.

Employees of the Plan have elected to participate in the Virginia Sickness and Disability Program. The Virginia Retirement System (VRS) administers the program to provide income protection for absences due to sickness or disability from the first day on the job. After a seven calendar-day waiting period following the first incident of disability, eligible employees receive short-term disability benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 work days, based upon months of State service. After a 180 calendar-day waiting period (125 work days of short-term disability) eligible employees receive long-term disability benefits equal to 60 percent of compensation until they return to work, until age 65, or until death. Employees enrolled in this program are not eligible for disability retirement benefits under the VRS.

All State agencies are required to contribute to the cost of providing disability benefits. Initial contribution requirements to fund the program were determined by the VRS actuary based on an estimate of the amount of the liability for disability benefits that would transfer from VRS to the new program. The contribution requirement was 1.07 percent of payroll for State employees. Further information about this program can be found in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Board of the Virginia College Savings Plan has established investment guidelines for each of the Plan's investment programs which are in accordance with §23-38.80 of the *Code of Virginia*, as amended. This section of the *Code* requires the Board to discharge its duties in a manner which will provide the investment return and risk level consistent with the actuarial return requirements and cash flow demands of the Plan and conforming to all statutes governing the investment of Plan funds. The Board shall exercise the judgment of care under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but to the permanent disposition of funds, considering the probable income as well as the probable safety of their capital when investing funds. In order to meet the return requirements, the Plan's portfolio shall be invested in a broadly diversified portfolio of domestic and foreign stocks, bonds, and cash equivalent investments, which are defined as investments with an original maturity of three months or less. The Board's allocation target for the overall VPEP portfolio, at market value, is 60 percent investment in equity securities and 40 percent investment in fixed income instruments. The Board's allocation targets for the VEST program vary according to the investment objective of each portfolio. To assist with the investment of the Plan assets, the Board has selected a group of 21 external managers and/or funds. In addition, the Plan has monies invested by the State Treasurer as part of the Commonwealth's General Account for both VPEP and VEST.

The Board authorized its partner, the American Funds, to offer 21 of their mutual funds to investors in CollegeAmerica. The Board has oversight and review authority for the investment activity and operations of the CollegeAmerica program. The American Funds is required to seek renewed approval of the use of these mutual funds on an annual basis.

Custodial Credit Risk

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. All deposits of the VPEP and VEST programs are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400, of the *Code of Virginia*.

Custodial Credit Risk – Investments: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2005, all investments of the VPEP and VEST programs, except those investments in open-end mutual funds, were held in the Plan's name by the Plan's custodian, Mellon Global Securities Services. Approximately 14.6 percent of total VPEP investments (reported as enterprise fund assets) and 80.1 percent of total VEST investments (reported as a private-purpose trust fund) are invested in open-end mutual funds. All investments of the CollegeAmerica program (also a private-purpose trust fund) are also invested in mutual funds. Investments in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by physical securities.

Interest Rate Risk

As of June 30, 2005, the Plan had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1 - 5	6 - 10	More than 10
Money Market Funds	$ 18,883,104	$ 18,883,104	$ -	$ -	$ -
U.S. Treasuries	82,365,643	-	45,467,959	17,216,836	19,680,748
Agency Mortgage Backed Securities	30,670,580	-	-	8,578,273	22,092,307
Asset Backed Securities	12,547,928	-	-	352,042	12,195,886
Corporate Bonds	63,665,555	-	12,410,193	30,213,574	21,041,788
Other Bonds	99,340,357	-	14,755,206	6,856,310	77,728,641
Bond Funds	41,788,603	-	41,605,057	183,546	-
Guaranteed Investment Contracts	65,420,135	-	65,420,135	-	-
Repurchase Agreement	36,100,000	36,100,000	-	-	-
Total	$450,781,805	$ 54,983,104	$179,658,550	$63,400,581	$152,739,570

The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk of Debt Securities

The Plan's investment policy requires its debt securities managers to invest in holdings which, on average, are comprised of high quality issues and may not include securities deemed to be below investment grade. Investment grade is generally defined as a rating of BBB or above by one of the major ratings agencies. This requirement does not apply to the Plan's managers who are instructed to manage a specific "High-Yield" fixed income investment strategy, whether in a separate account or as a dedicated allocation within a broader fixed income portfolio. The Plan's rated debt investments as of June 30, 2005 were rated by Standard and Poor's and the ratings are presented in the following chart. The Plan participated in various open-end mutual funds that are unrated and are not included in this presentation.

Investment Type	Quality Rating							
	AAA	AA	A	BBB	BB	B	Below B	Unrated
Money Market Funds	$18,883,104	-	-	-	-	-	-	-
U.S. Treasuries	$82,365,543	-	-	-	-	-	-	-
Agency Mortgage Backed Securities	$30,670,580	-	-	-	-	-	-	-
Asset Backed Securities	$10,772,461	-	$166,985	$283,305	$866,653	-	$458,524	-
Corporate Bonds	$4,366,574	$2,240,852	$17,855,856	$21,564,763	$9,910,455	$7,418,534	$108,675	$199,846
Other Bonds	$58,042,200	-	$5,156,288	$14,784,060	$5,075,863	$9,733,641	$1,067,014	$5,481,291
Bond Funds	-	-	-	-	-	-	-	$41,788,603
Guaranteed Investment Contracts	-	-	-	-	-	-	-	$65,420,135
Repurchase Agreement	$36,100,000	-	-	-	-	-	-	-

Concentration of Credit Risk

At June 30, 2005, the Plan had no investments in any one issuer that represented 5 percent or more of total investments.

Mutual Fund Risks

At June 30, 2005, the Plan participated in a number of open-end domestic and foreign equity and fixed income mutual funds. These funds are subject to various investment risks, including the possibility that the value of the fund's portfolio holdings may fluctuate in response to events specific to the companies in which the fund invests, as well as economic, political or social events in the United States or abroad. Certain of the mutual funds may be subject to additional risks due to investments in a more limited group of sectors and industries than the broad market. Those funds with holdings issued by entities based outside the United States are subject to foreign securities risks, including currency fluctuations.

The value of and the income generated by debt securities held by certain of the mutual funds the Plan participates in may be affected by changing interest rates and credit risk assessments. Lower quality or longer maturity bonds may be subject to greater price fluctuations than higher quality or shorter maturity bonds.

Prospectuses for each of the mutual funds the Plan participates in may be requested from the Virginia College Savings Plan, P.O. Box 607, Richmond, VA 23218-0607, or at www.virginia529.com. A prospectus may also be requested directly from each of the underlying fund managers. Please see Appendix A for a listing of VPEP and VEST mutual funds.

Prospectuses for each CollegeAmerica mutual fund offering may be obtained directly from the American Funds or from a financial adviser. Please see Appendix A for a listing of CollegeAmerica mutual funds.

3. SECURITIES LENDING TRANSACTIONS

Cash equivalents held by the Treasurer of Virginia and Investments held by the Treasurer of Virginia represent the Plan's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

4. OPERATING LEASES

The Plan leases satellite office facilities in West Chester, PA as a disaster recovery site as well as office space for the Plan's information technology division, College Savings Systems, under an operating lease. Total costs for this lease were $25,662 for the year ended June 30, 2005. The future minimum lease payments for this lease are as follows:

Year Ending June 30	Amount
2006	$ 26,435
2007	2,203
Total future minimum lease payments	$ 28,638

5. LONG-TERM LIABILITIES

Long-term liabilities of the Plan include tuition benefits payable, which represents the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Virginia Prepaid Education Program. Also, reflected in the enterprise fund are the accrued compensated absences for the Plan's employees.

Enterprise Fund	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Due Within One Year
Compensated absences	$ 168,119	$ 143,337	$ 106,757	$ 204,699	$ 134,944
Tuition benefits payable	1,157,711,617	311,191,242	38,519,475	1,430,383,384	60,900,000
Total	$1,157,879,736	$ 311,334,579	$ 38,626,232	$1,430,588,083	$61,034,944

6. CAPITAL ASSETS

The following schedule presents capital asset activity of the Plan for the year ended June 30, 2005.

Enterprise Fund	July 1, 2004	Increases	Decreases	June 30, 2005
Depreciable capital assets:				
Equipment	$ 423,997	$ 21,376	$ -	$ 445,373
Less accumulated depreciation for:				
Equipment	261,752	63,963	-	325,715
Total depreciable capital assets, net of accumulated Depreciation	$ 162,245	$ (42,587)	$ -	$ 119,658

7. ACTUARIAL TUITION CONTRIBUTIONS AND ACTUARIAL TUITION BENEFITS EXPENSE

The actuarial tuition contributions and the actuarial tuition benefits expense line items represent the annual accrual of contributions receivable and the obligation for distribution expenses determined by the actuarial valuation.

8. RETIREMENT AND PENSION PLAN

Employees of the Plan are employees of the Commonwealth of Virginia. The employees participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance for employees and retirees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth, not the Plan, has overall responsibility for determining contributions to these plans.

9. DEFICIT NET ASSETS (ENTERPRISE FUND)

The deficit net assets amount at June 30, 2005, reflected in the enterprise fund represents the projected unfunded actuarial liability calculated for the fiscal year by the Plan's actuary. While the Plan remains in a deficit position, there was significant improvement over the prior year deficit, which was reduced from $128.3 million to the current $60.0 million. This represents a 53.2% positive change in position. This improvement is primarily attributable to lower than expected tuition increases for the 2005-2006 academic year, actual returns on the Plan's investments exceeding the assumed rate of return by a substantial margin, and increases to the reserve from new contract sales. Offsetting the positive movement, however, was the negative impact caused by the change in the future tuition growth assumption.

The Board will continue to address this issue by working with the VPEP actuary and investment consultant to continually monitor the investment allocation and determine if there should be any additional diversification or expansion into other investment strategies in order to enhance long-term investment returns. It remains the Board's intention to further reduce the actuarial deficit over time by adding to the actuarial reserve through appropriate premium pricing in any future enrollment periods.

10. RISK MANAGEMENT

The Virginia College Savings Plan is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Plan participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Plan pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

11. VIRGINIA COLLEGE DREAM FOUNDATION

The Virginia College Dream Foundation (VCDF) was a private, non-profit 501(c) (3) scholarship foundation founded in 1997 and administered by the Plan. In October 2004, the VCDF was legally dissolved and terminated and all assets of VCDF were transferred to the Virginia College Savings Plan. These assets, existing VPEP and VEST scholarship accounts, retain the same form and will continue to provide the same benefits to the current and future designated beneficiaries. The VCDF enabled individuals, organizations, community groups, corporations, and trusts to make charitable contributions, which were then used to purchase VPEP tuition and fee contracts and to open VEST accounts for at-risk youth. The Plan will continue the mission of the VCDF to work with community partners to make the dream of college a reality for deserving youth in Virginia.

At June 30, 2005, the Plan owned 49 active VPEP contracts and 42 active VEST accounts.

12. IMPLEMENTATION OF GASB STATEMENT

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, issued March 2003, became effective for the fiscal year ending June 30, 2005, and imposes new standards for financial reporting. The Plan implemented the necessary changes to be in compliance with this Statement. The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, foreign currency risk, and any other risks. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. As an element of credit risk, this Statement requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market mutual funds, bond mutual funds, and other pooled investment of fixed-income securities. As an element of foreign currency risk, this Statement requires certain disclosures of investments that have fair values that could be adversely affected by changes in exchange rates. Deposit and investment policies related to the risks identified in the Statement are also required to be disclosed.

APPENDIX A

Mutual Funds By Program

VPEP

Investment Manager	Underlying Mutual Fund
Vanguard Group	Institutional Index Fund
Vanguard Group	Small Cap Index Fund
Vanguard Group	Total Stock Market Index Fund
Vanguard Group	REIT Index Fund
Vanguard Group	Total Bond Market Index Fund
Vanguard Group	Inflation-Protected Securities Fund
Templeton Institutional Funds, Inc.	Templeton Foreign Equity Series
Capital Research & Management Co.	American Funds EuroPacific Growth Fund

VEST

Investment Manager	Underlying Mutual Fund
Vanguard Group	Institutional Index Fund
Vanguard Group	Small Cap Index Fund
Vanguard Group	LifeStrategy Growth Fund
Vanguard Group	LifeStrategy Moderate Growth Fund
Vanguard Group	LifeStrategy Income Fund
Vanguard Group	Prime Money Market Fund
Templeton Institutional Funds, Inc.	Templeton Foreign Equity Series
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Western Asset Management	Western Core Bond Portfolio

COLLEGEAMERICA (Investment Manager - American Funds)

AMCAP Fund
The Growth Fund of America
The New Economy Fund
EuroPacific Growth Fund
New Perspective Fund
New World Fund
SMALLCAP Fund
American Mutual Fund
Capital World Growth & Income Fund
Fundamental Investors Fund
The Investment Company of America
Washington Mutual Investors Fund
Capital Income Builder Fund
The Income Fund of America
American Balanced Fund
American High-Income Trust Fund
The Bond Fund of America
Capital World Bond Fund
Intermediate Bond Fund of America
U.S. Government Securities Fund
The Cash Management Trust of America

Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Walter J. Kucharski, Auditor
Richmond, Virginia 23218

November 15, 2005

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

Board Members
Virginia College Savings Plan

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the enterprise fund, which is a major fund, and the private-purpose trust funds of the **Virginia College Savings Plan** (Plan) as of and for the year ended June 30, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the basic financial statements of the Plan are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities, major enterprise fund, and aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the Plan. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and private-purpose trust funds of the Plan as of June 30, 2005, and the respective changes in net assets and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages one through seven is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2005 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

SW/kva

VIRGINIA COLLEGE SAVINGS PLAN
Richmond, Virginia